

# Gascoyne Water Co-operative Ltd

## 2007 Operational Audit and Asset Management System Review

### Final Report

July 2007



Perth:  
216 St Georges Terrace  
Perth Western Australia 6000  
GPO Box 2753 Perth  
Western Australia 6001  
Telephone (08) 9476 3144  
Facsimile (08) 9322 1022  
Email [mail@stamfords.com.au](mailto:mail@stamfords.com.au)

Sydney:  
MLC Centre  
Martin Place Sydney  
New South Wales 2000  
Telephone (02) 9238 6881  
Facsimile (02) 9238 7633

Melbourne:  
Level 2, 520 Collins Street  
Melbourne Victoria 3000  
Telephone (03) 8371 5660  
Facsimile (03) 8371 5650

## Table of Contents

Executive Summary .....	2
1 Audit/Review Scope .....	4
1.1 Operational/Performance Audit .....	4
1.2 Asset Management System Review .....	6
1.3 Period Covered by the Audit .....	7
1.4 Period Audit/Review Conducted .....	7
1.5 Gascoyne Water Representatives .....	8
1.6 Audit and Review Team .....	8
1.7 List of Source Documents .....	9
2 Previous Audit Recommendations .....	10
2.1 Operational Audit .....	10
2.2 Asset Management System Review .....	11
3 Performance Summary.....	12
4 Detailed Audit Findings & Recommendations .....	15
5 Operational Audit – Specific Compliance Issues Examined .....	17
6 Asset Management System – Key Outputs and Performance.....	26
7 Appendix – Audit Planning and Prioritisation Document.....	34

## Executive Summary

### Background

Regulation of the water services industry in Western Australia is governed by the Water Services Licensing Act 1995 (the “Act”). The Act establishes a regulatory framework surrounding the provision of water services primarily by way of a licensing scheme administered by the Economic Regulation Authority (the “Authority”).

Under the Act, providers of water supply, sewerage, irrigation and drainage services within controlled areas must be licensed. The Licenses set a range of conditions, including minimum service standards and regular reporting.

The Authority is required to present a report to the Minister on the operational audit within one month of its receipt.

The Authority has issued GWC with a Water Services Operating License. The Licensee is required to provide the Authority, not less than once every 24 months (or such longer period as the Authority permits): an operational audit under Section 37 of the Act, and a report on the effectiveness of its asset management system under Section 36 of the Act.

The audit has been conducted in order to assess the Gascoyne Water Cooperative Ltd (GWC) level of compliance with the conditions of its license

### **Summary of Issues and Recommendations**

There is 1 significant finding noted during the current audit in relation to Clause 14 - 'Information provided to the Authority'.

Overall, the controls in place are compliance with the license requirement and operating effectively.

It is the auditors' professional view that Gascoyne Water Co-operative Ltd ("Gascoyne Water") is achieving an acceptable level of compliance with the requirements of the Operating License.

### **Operational Audit Conclusion**

The overall level of compliance found in the Operational Audit indicates that Gascoyne Water has in place the necessary measures and controls to maintain the quality and performance standards referred to in Gascoyne Water's Operating License.

### **Assets Management System Review Conclusion**

The review revealed a high standard of asset management. The systems and procedures currently in place are appropriate to the scale and value of assets under management. All aspects of asset management showed the dedication and competence of Gascoyne Water Cooperative Ltd, office and field staff in achieving this high standard.

# 1

## Audit/Review Scope

### 1.1 Operational/Performance Audit

The objective of the operational/performance audit is to assess the effectiveness of measures taken by the licensee to meet obligations of the performance and quality standards referred to the license.

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

The scope of the audit is to evaluate the adequacy and effectiveness of performance against the requirements of the license by considering:

- a) Process Compliance – the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls.
- b) Outcome Compliance – the actual performance against standards prescribed in the license throughout the audit report.
- c) 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).
- d) Integrity of Performance Reporting – the completeness and accuracy of the performance reporting to the Authority.
- e) Compliance with any individual license conditions – the requirements imposed on the specific licensee by the Authority or specific issues for follow-up that are advised by the authority.

## Methodology

The consultants:

- Carried out a risk assessment of the Operating License requirements;
- Met with the Licensee’s representatives to agree the methodology for the operational audit and the audit plan;
- Discussed the audit plan with the Licensee’s representative. The proposed audit plan included:
  - Risk Assessments;
  - Audit criteria; and
  - Audit method including resource allocation (including sample selection procedures where relevant);
- Amended the audit plan as appropriate;
- Provided verbal briefings in respect of the performance of the Services when requested by the Licensee’s representative;
- Prepared and submitted a “Draft Operational Audit Report” to the Licensee’s representatives for review and comment, and updated the document where appropriate;
- Forwarded the updated “Draft Operational Audit Report” to the Authority’s representatives for review; and
- Prepared and submitted a “Final Operational Audit Report” to both the Licensee’s and Authority’s representatives

## 1.2 Asset Management System Review

The purpose of the asset management system review is to assess the measures taken by the licensee for the proper management of assets used in the provision and operation of service and, where appropriate, the construction or alteration of relevant assets.

The asset management system review focuses on the asset management system, including asset management plans, which set out the measures that are to be taken by the licensee for the proper operation and maintenance of assets. The plan must convey the licensee's business strategies to ensure the effective management of assets over at least a 5 year period.

The scope of the asset management review must include an assessment of the adequacy and effectiveness of the asset management system by evaluating the key processes of:

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

### Methodology

The consultants:

- Provided a detailed review plan, based on the preliminary review plan provided with its tender in consultation with the Licensee's representatives, which was required to examine the effectiveness of the asset management system;
- Analysed the Licensee's documented procedures and processes for the planning, construction, operation and maintenance of services, including assessing whether they support the asset management system;

- Interviewed key personnel to assess whether they understood and complied with the documented processes and procedures;
- Examined the Licensee's information systems supporting its asset management system;
- Examined a sample of asset management planning documents and comment on their coverage and adequacy;
- Identified areas for improvement where the effectiveness of an area is assessed as largely adequate or inadequate, and assess whether the Licensee's plan to address these inadequacies is effective. The Consultants provided recommendations to improve the asset management system if required;
- Met with the Licensee's Representatives, prior to commencing the work, to discuss the methodology for the review and the review plan;
- Kept representatives of the Licensee informed on the progress of the review;
- Provided a "Draft Review Report" to the Licensee's representatives for review and comment, and updated the document where appropriate;
- Forwarded the updated "Draft Review Report" to the Authority's representatives for review; and
- Prepared and submitted a "Final Review Report" to both the Licensee's and Authority's representatives.

### 1.3 Period Covered by the Audit

The audit covered the period from 1 May 2005 to 30 April 2007.

### 1.4 Period Audit/Review Conducted

The audit was being undertaken from 29<sup>th</sup> June to 6<sup>th</sup> July 2007.



## 1.5 Gascoyne Water Representatives

The following representatives of Gascoyne Water participated in the audit and review:

Chief Executive Officer	Edward Garrett
Office Manager	Rae Sanderson
Administration Officer	Steve Campbell
Senior Accountant	Charles Wass

## 1.6 Audit and Review Team

The Team comprised:

Associate Director	Jacob Rechner
Audit Consultant	Jusri Shari

The following table provides a break up of the hours spent on the review:

<b>Task no.</b>	<b>Audit and Review Task</b>	<b>Hours</b>
1	Development and approval of Audit and Review Plan	20
2	Fieldwork	26
3	Reporting and Follow-up	14
	<b>Total Hours</b>	<b>60</b>

## 1.7 List of Source Documents

The following references were used during the preparation of this report:

1. Operating License (Irrigation Services) for Gascoyne Water – 30/06/03
2. Gascoyne Water – Approved Customer Service Charter
3. Carnarvon Irrigation Area Asset Management Plan
4. Gascoyne Water Statement of Financial Position at 31<sup>st</sup> December 2006.
5. Gascoyne Water Statement of Financial Performance for the year ended 31<sup>st</sup> December 2006
6. Gascoyne Water Statement of Cash Flows for the year ended 31<sup>st</sup> December 2006
7. Gascoyne Water Operating License Report as at 30 June 2007.
8. The ERA Scope and Guidelines for Water Service License: Operational Audit, and Asset Management Reviews for the Gascoyne Water Co-operative Limited
9. Articles of Association of Gascoyne Water Co-operative Limited
10. Carnarvon – Irrigation Business Transfer Agreement, Water Corporation and Gascoyne Water Co-operative Limited
11. Water Supply Agreement, Water Corporation and Gascoyne Water Co-operative Limited
12. Gascoyne Water Co-operative Strategic Plan 2004-2019
13. Gascoyne Water Asset Mutual Cooperative Limited Annual Report (2006)

# 2

## Previous Audit Recommendations

### 2.1 Operational Audit

There were 4 findings raised from the previous audit. The details and status of the findings are as follows:

No.	Details	Recommendations	Action Plan	Status
1.	<p>Clause 19 "Dispute Resolution"</p> <p>There is no central register or report form from the system that summarises all complaints and their current status</p>	<p>It is advised that GWC to create a central complaint register and consider adapting their Business Management System to provide a summary report of all complaints and details regarding each complaint.</p>	<p>A compliant register to be developed detailing the time, nature and other relevant information. Handling customer complaints procedures to be incorporated into 'Office Procedures Manual' as to ensure effectiveness and consistency.</p>	<p>Completed. A central complaint register has been developed and kept in a specific folder. The process has been documented in the Office Procedures Manual.</p>
2.	<p>Clause 18 - The Customer Charter in place still at a draft form.</p>	<p>Management is to ensure that sufficient consultation with shareholders occurs to ensure that the Service Charter meets with sufficient approvals.</p>	<p>To obtain approval from the Authority.</p>	<p>Approval obtained from ERA on the 1<sup>st</sup> November 2006.</p>
3.	<p>Clause 5(7) - license holder to conduct survey to obtain customer consultation via either mail or local press in relation to the services delivered.</p> <p>However, the response rate is generally low.</p>	<p>The majority of customers come in person to pay their bills. This will give GWC the opportunity to encourage the customers to complete the survey forms.</p> <p>A box at the counter could be used as a repository for the completed survey to ensure the anonymity of each response.</p>	<p>Meetings with customers to be organised for every 3 months. This is to obtain customers response in all matters in relation to the services provided.</p>	<p>Invitation to the meetings has been communicated to customers via the monthly newsletters. Customer survey conducted jointly by DOW and Gascoyne Water in July 2005 and another by Gascoyne Water in July 2007. However, the reception is generally very low.</p>
4.	<p>As part of the financial reporting requirements, the director to produce an audited profit &amp; loss and balance sheet to ERA. However, the necessary information for 2004/2005 financial year was submitted prior to 31<sup>st</sup> October 2005.</p>	<p>Management to ensure to submit the financial information within the stipulated time.</p>	<p>Management will ensure compliance.</p>	<p>Financial statement for financial year ended 31 December 2006 was submitted to ERA on the 19<sup>th</sup> April 2007.</p>

## 2.2 Asset Management System Review

There were 4 findings raised from the previous audit. The details and status of the findings are as follows:

No.	Details	Recommendations	Action Plan	Status
1.	Details of assets' age, physical structure and condition are not recorded in the asset register.	Management is advised to include the details into the asset register.	The management in the opinion that where the age and condition of the asset is known, particularly when sections are replaced or upgraded, this information should be included in asset register.	Completed. Necessary details have been updated into the asset register where applicable.
2.	The updated Asset Management Plan does not document the asset's theoretical life is know for individual components.	Audit recommends that the Asset Management Plan to be updated to include a section on the theoretical life of the asset.	The management will ensure the necessary updates in the new version of the Asset Management Plan.	Completed.
3.	There are no budget figures used and no budget versus actual figures available in their financial planning.	Audit recommends management continue with their plans to implement monthly budgets into their reporting to the board.	The management required a full 12 months of accurate cost information from operations to be able to prepare their budgets.	The Financial and Pricing Plan has been updated on 28 <sup>th</sup> June 2007 to include the operating budget.
4.	There was no reasonable indicative predictions i.e. income for the next 5 years.	Audit recommends that the financial plan derived as part of the annual budgeting process include predictions on income for the next 5 years as determined from model of forecasted use developed by Management.	The management is in the opinion that income is dependent upon aquifer condition, growing patterns and alternative water resources available to members.	Audit agreed with the management as it is not practical to develop a 5 years prediction of income due to the level of uncertainties of the variables involved.

# 3

## Performance Summary

### Gascoyne Water Co-operative Ltd - 2006 Operational Audit Summary Level of Compliance

Table 1: Operational / performance compliance rating scale

Compliance Status	Rating	Description of compliance
Compliant	5	Compliant with no further action required to maintain compliance
Compliant	4	Compliant apart from minor or immaterial recommendations to improve the strength of the internal controls to maintain compliance
Compliant	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
Non-compliant	2	Does not meet requirements
Significantly non-compliant	1	Significant weakness and/or serious action required.

Operating Area	Operating License 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 (Refer to the 5-point rating scale in table 1 for details)				
						1	2	3	4	5
<b>SERVICE DELIVERY</b>						1	2	3	4	5
Water services in designated areas	Sch. 1	1	C	Low	Strong					√
Water provision (availability of services)	Cl.12, Section (b)	3	C	Low	Strong					√
Standards and principles for the Provision of Water Services	Cl.15, Section (b)	3	C	Low	Strong					√

Operating Area	Operating License 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 (Refer to the 5-point rating scale in table I for details)				
						1	2	3	4	5
<b>CUSTOMER SERVICE</b>										
Customer complaints and investigation, conciliation and arbitration	Cl.19	2	B	Medium	Strong				√	
Approved Customer Service Charter communicates the agreed service standards	Cl.18	2	C	Low	Strong					√
Customer consultation prior to make major changes	Cl.17	2	B	Low	Moderate					√
<b>REGULATORY REQUIREMENT</b>										
Reporting of information set out in Schedule 3 to the Authority	Cl.14, Sch. 3	3	C	Medium	Strong			√		
Contracting of Services	Cl.12	3	C	Medium	Strong				√	
Complying to the quality and performance standard in Schedule 2	Cl.15 (1)	3	B	Medium	Strong				√	
<b>FINANCIALS/ACCOUNTING</b>										
Recording of accounting records as correct	Cl.10 (a)	3	C	Low	Strong					√
Reporting of financial statements reflecting the true and fair view	Cl.10 (b)	3	C	Low	Strong					√
Produced audited financial statements to the Coordinator within the stipulated timeframe	Cl.10 (b)	2	C	Low	Moderate				√	
<b>PRICES AND CHARGES</b>										
Proposed prices and charges to obtain Authority's approval	Cl.11 (a & b)	3	C	Low	Strong					√

### Gascoyne Water Co-operative – 2006 Asset Management Review Summary Level of Effectiveness

Table 2: Asset management review effectiveness ratings scale

Effectiveness	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
Not performed	0	Not performed (indicate if not applicable)

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 the asset management system					√		

# 4

## Detailed Audit Findings & Recommendations

The issues and recommendations are detailed below in order of perceived priority based on the following scale:

- High:** Needs to be resolved immediately. A short-term fix may be required prior to being resolved properly.
- Medium:** Needs to be resolved as soon as resources can be made available, but no later than six months.
- Low:** Resolution should be planned for action within twelve months.



Ref	Specific Finding	Priority	Recommendations	Action Plan
1.1	<p>Clause 14 on Information Provided to the Authority:</p> <p><i>The licensee shall report the information set out in Schedule 3. The reports are due within 30 days of end of each financial year.</i></p> <p>Based from our testing, we noted that 1 instance where Licensee delayed in sending the Operating License – Schedule 3 report to the Authority for 2004/2005 financial year. The report only being sent to the Authority in May 2006.</p>	High	<p>GWC is advised to comply with the regulatory requirement set by the Authority. A checklist should be developed and kept in a separate folder detailing financial year end reporting requirements as to avoid any non-compliances in future practice.</p> <p><b>Management comment:</b> The Schedule 3 has been added onto the Board Calendar and entered into the task list of the business management system. This system will generate automated database tasks and assign them to the responsible officer.</p>	No action plan is required as the current control in place by the management is sufficient to ensure the reporting of Schedule 3 will comply with the time frame set by the Authority.

# 5

## Operational Audit – Specific Compliance Issues Examined

Please Note:

In the contents of this Operational Audit, “Ensured” and “Compliant” is defined as:

- Audit confirming that Gascoyne Water have appropriate policies and procedures in place to ensure compliance with the associated Licensing Obligation; and
- That such policies and procedures are being complied with, based on audit observation and/or detailed testing being carried out at the time of the review.

Clause/ Schedule	License Obligation	System Established by Gascoyne Water to Comply with License Obligations	Compliance Rating
Clause 6	<p><u>Asset Management</u></p> <p>The Licensee must establish and maintain an asset management system.</p>	<p>Gascoyne Water Co-operative has an Asset Management System. This is detailed in the Asset Management Plan.</p>	Compliant (5)
Schedule 1	<p><u>Operating Areas</u></p> <p>The Licensee may provide the Water Services respectively indicated in this Schedule to, and within, those areas designated by reference to a plan number, which number refers to the plan of the relevant operating area, or location described below, approved by the Authority for the purposes of the provision of the indicated Water Service.</p>	<p>Gascoyne Water Cooperative uses Plan Number OWR-0A-177(A) as the main reference to the Operating Area in which it provides its services.</p> <p>No Gascoyne Water Cooperative infrastructure or services are provided outside of the designated area of operation.</p>	Compliant (5)
Clause 19	<p><u>Customer Complaints and Investigation, Conciliation and Arbitration</u></p> <p>The licensee shall establish a system for recording, managing and resolving within 21 days Complaints by Customers regarding a provided or requested Water Service.</p>	<p>Policies and procedures in handling complaints are clearly detailed in the GWC Office Procedures Manual.</p> <p>All complaints are filed in the 'Customer Complaints' folder.</p>	Compliant (4)

Clause/ Schedule	<u>License Obligation</u>	System Established by Gascoyne Water to Comply with License Obligations	Compliance Scale (& Reference to Finding)
Clause 18	<p><u>Customer Charter</u></p> <p>Within 18 months of the issue of this License the Licensee must have in place a Customer Service Charter which communicates the agreed service standards to Customers.</p> <p>The Customer Service Charter:</p> <p>(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.</p> <p>Different parts of the Customer Service Charter may be expressed to apply to different customer segments.</p> <p>Any proposed amendment to the Customer Service Charter must be forwarded to the Coordinator for approval.</p>	<p>ERA has approved the Gascoyne Water Cooperation Ltd (GWC) Customer Service Charter on the 1<sup>st</sup> November 2006.</p> <p>Copy of the charter has been sent out to shareholders, Commercial Customers and Stock and Garden Customers.</p> <p>Ensured.</p> <p>The Customer Service Charter applies to:</p> <ul style="list-style-type: none"> <li>▪ Shareholders;</li> <li>▪ Commercial Customers; and</li> <li>▪ Stock and Garden Customers.</li> </ul> <p>Ensured.</p>	<p>Compliant (5)</p> <p>Compliant (5)</p> <p>Compliant (5)</p> <p>Compliant (5)</p>

Clause/ Schedule	License Obligation	System Established by Gascoyne Water to Comply with License Obligations	Compliance Scale (& Reference to Finding)
	<p>The Licensee must make the Customer Service Charter available to its Customers in the following ways:</p> <ul style="list-style-type: none"> <li>(i) by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access;</li> <li>(ii) by providing a copy, upon request, and at no charge, to a Customer; and</li> <li>(iii) by sending a current copy, or a summary document approved by the Coordinator, to all Customers at least once in every two year period or as agreed with the Coordinator.</li> </ul> <p>It is a condition of the License that the Licensee provides services in a way that is materially consistent with its Customer Service Charter.</p> <p>The Licensee must be able to demonstrate that the service standards in the Customer Service Charter are communicated to Customers (verbally or in writing) if and when the standards are relevant to Customers, for example at the time a service is requested or Complaint is made.</p>	<p>The draft Customer Service Charter was mailed to all members, copies of the current draft are kept on the front counter.</p> <p>Ensured.</p> <p>Ensured.</p>	<p>Compliant (5)</p> <p>Compliant (5)</p> <p>Compliant (5)</p>

Clause/ Schedule	<u>License Obligation</u>	System Established by Gascoyne Water to Comply with License Obligations	Compliance Scale (& Reference to Finding)
Clause 17	<p><u>Customer Consultation</u></p> <p>On an annual basis 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.</p> <p>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.</p>	<p>The last AGM was held on the 12<sup>th</sup> June 2007.</p> <p>GWC unable to form a customer council due to members were not interested in this form of representation.</p> <p>Instead as allowable under the clause, the Gascoyne Water Cooperative:</p> <ul style="list-style-type: none"> <li>▪ Publishes a four page monthly newsletter;</li> <li>▪ Displays annually at the Gascoyne Business Expo and Gascoyne Field Day;</li> <li>▪ Through their monthly newsletter conduct regular surveys, however the response to these is generally low, a more formal survey is currently planned; and</li> <li>▪ Hold informal meetings with customers to gain their feedback.</li> </ul>	<p>Compliant (4)</p> <p>Compliant (5)</p> <p>Compliant (5)</p> <p>Compliant (4)</p> <p>Compliant (4)</p>

Clause/ Schedule	<u>License Obligation</u>	System Established by Gascoyne Water to Comply with License Obligations	Compliance Scale (& Reference to Finding)
Clause 12, Sections (b)	<p><u>Water Services Provision</u></p> <p>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 License and any relevant legislation. Satisfactory compliance with the conditions of Connection is an essential requirement of gaining approval to connect to the Licensee's schemes.</p>	Gascoyne Water Cooperative's "Conditions for Connection have been incorporated into its Customer Service Charter (refer Section 2 – Service Delivery).	Compliant (5)
Clause 14	<p><u>Information Provided to the Authority</u></p> <p>The Licensee shall report the information set out in Schedule 3. The reports are due within 30 days of the end of each financial year.</p>	The Operating License Report for 2005 – 2006 was provided by Edward Garrett on the 30 <sup>th</sup> June 2006 after the meter reading.	Compliant (3) Ref. Detailed Finding 1.1
Clause 12, Section (a)	<p><u>Contracting of Services</u></p> <p>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 License and with the relevant legislation.</p>	Ensured. No contracting service is undertaken by GWC.	Compliant (5)

Clause/ Schedule	<u>License Obligation</u>	System Established by Gascoyne Water to Comply with License Obligations	Compliance Scale
Clause 15, Section (b)	<p><u>Standards and Principles for the Provision of Water Services</u></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>	<p>The notifications were included in the each June Newsletter and in the Customer Service Charter that has been supplied to each member.</p>	Compliant (5)
Clause 10	<p><u>Accounting</u></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"> <li>▪ Auditor’s report; and</li> <li>▪ GWC and GWAMCO Annual Reports including Statutory Accounts and Auditors Reports.</li> </ul>	Compliant (5)
	<p>(i) true and fair accounts of the Licensee can be prepared from time to time; and</p> <p>(ii) its accounts can be conveniently and properly audited or reviewed.</p> <p>(iii) The Directors shall, within four months of the end of the financial year:</p> <p>(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</p> <p>(ii) 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.</p>	<p>Gascoyne Water Cooperative’s Annual Report 2006 contains both a profit and loss statement and a balance sheet. It is dated the 19<sup>th</sup> of April 2007.</p> <p>An appointed Registered Cooperative Auditor, Simon Cubitt of RSM Bird Cameron Partners, has signed off on the accounts.</p>	



Clause/ Schedule	License Obligation	System Established by Gascoyne Water to Comply with License Obligations	Compliance Scale (& Reference to Finding)
	<p>The Licensee's financial statements are to be in the form of a general purpose financial report as defined in Statement of Accounting Concepts 1.</p> <p>The Directors shall take reasonable steps to ensure that the Licensee's financial statements are audited by a Registered Co-operative Limited Auditor and submitted to the Coordinator within four months of the end of the financial year.</p>		Compliant (5)
Clause 11	<p><u>Prices or Charges</u></p> <p>On 1 June each year the Licensee will provide a written submission on its proposed prices or charges and the methodology for determining prices or charges to the Authority for approval.</p> <p>Any proposed subsequent amendment to prices and charges must also be forwarded to the Authority for approval.</p>	<p>Prices and charges are determined by the Board in November each year and will be announce in December in the newsletters. The effective date for the new prices and charges is on the 1<sup>st</sup> January commencement of the new allocation year.</p> <p>However, a review is being undertaken by ERA on the Water Licensing and there maybe changes on the clause in relation to water tariff.</p>	Compliant (5)

Clause/ Schedule	<u>License Obligation</u>	System Established by Gascoyne Water to Comply with License Obligations	Compliance Scale (& Reference to Finding)
Schedules 2	<u>Performance Standards</u> <ul style="list-style-type: none"> <li>▪ Supply water that is suitable for Irrigation purposes</li> <li>▪ Issue of monthly water consumption accounts within 5 business days of the end of the month</li> <li>▪ Replacement of faulty Customer water meter before the commencement of the next watering period</li> <li>▪ 14 days written notice of planned disruption</li> <li>▪ Advice to affect Customers within 6 hours of shutdown</li> <li>▪ Complaints to be resolved within 21 days</li> <li>▪ Repairs of reported faults within 2 business days</li> <li>▪ Respond to urgent Complaints or urgent repairs of faults within 2 hours</li> </ul>	Report as at June 30, 2007 used. Ensured.  Ensured.  Ensured.  Ensured. Ensured.  Ensured. Ensured. Ensured.	Compliant (5)
Schedule 3	<u>Information to be provided to the Coordinator of Water Services within 30 days of the end of each financial year</u>	Ensured.	Compliant (3) Ref. Detailed Finding 1.1

# 6

## Asset Management System – Key Outputs and Performance

Please Note:

In the contents of this Asset Management Review, “Ensured” is defined as:

- Audit confirming that Gascoyne Water have appropriate policies and procedures in place to ensure compliance with the associated obligation; and
- That such policies and procedures are being complied with, based on audit observation and/or detailed testing being carried out at the time of the review.

It should also be noted who currently owns the assets and who runs them. Gascoyne Water Co-operative (GMC) currently runs the Carnarvon Irrigation Scheme and has an Operating License to do so.

However, the infrastructure assets were owned by the Water Corporation. These assets were transferred to a separate company, the Gascoyne Water Asset Mutual Co-operative (GWAMCO) which is also owned by the same members who own GWC.

Activity	Asset/Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
Asset Planning/ Creation/ Acquisition	<ul style="list-style-type: none"> <li>Have the strategic objectives for the asset been identified?</li> </ul>	The strategic objectives are identified in Gascoyne Water Asset Mutual Co-operative’s Asset Management Plan Strategic View.	Well-defined (3)
	<ul style="list-style-type: none"> <li>Have the life cycle costs been considered?</li> </ul>	Gascoyne Water Asset Mutual Co-operative extracts an annual levy of \$1,900 per service plus \$0.04 per kl of allocation from each of its members. The funds go to a sinking fund that will be used to upgrade the assets in the future. The sinking fund annuity should be reassessed after one year then every five years. The life cycle costs have been considered in the Financial and Pricing Plan.	Well-defined (3)
	<ul style="list-style-type: none"> <li>Has the need for new assets been determined and full project evaluation process been followed, including comparative assessment of non-asset solutions?</li> </ul>	The need for new assets has been identified, in particular Gascoyne Water Asset Mutual Co-operative wishes to upgrade in the future to a high pressure flow system to replace the existing low pressure flow system to improve the availability of water to its customers.	Well-defined (3)
	<ul style="list-style-type: none"> <li>Have documents recording relevant details on the asset been collected?</li> <li>Do the assets reflect the objectives identified in the asset creation/ acquisition phase?</li> </ul>	An asset register is kept by Gascoyne Water Asset Mutual Co-operative that lists over 400 individual items, and includes such information as type and GPS coordinates.  Yes.	Well-defined (3)  Well-defined (3)

Activity	Asset/Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
Environmental Analysis	<ul style="list-style-type: none"> <li>▪ Are actual costs as predicted?</li> </ul>	<p>The assets have been transferred to GWAMCO on the 1<sup>st</sup> of July 2003. These assets were transferred at a nil cost as they were written down to \$0.00 value to enable the transfer.</p>	Well-defined (3)
	<ul style="list-style-type: none"> <li>▪ Have the performance requirements – availability of service, capacity, continuity, emergency response been documented?</li> </ul>	<p>The Asset Management Plan and Customer Service Charter Section 5-1 document the performance requirements.</p>	Planned and tracked (2)
	<ul style="list-style-type: none"> <li>▪ Are asset system objectives documented?</li> </ul>	<p>The Asset Management Plan Section 2 document the asset system objectives.</p>	Planned and tracked (2)
	<ul style="list-style-type: none"> <li>▪ Have opportunities and threats been in the system environment been assessed?</li> </ul>	<p>Section 6-3 of the Asset Management Plan includes the Risk Management Plan for the system environment.</p>	Planned and tracked (2)
	<ul style="list-style-type: none"> <li>▪ Are regulatory obligations and statutory/regulatory requirements documented?</li> </ul>	<p>The regulatory requirements are clearly documented in Section 5-1 and are being met.</p>	Planned and tracked (2)
	<ul style="list-style-type: none"> <li>▪ Is the asset meeting the level of service required by users of the service?</li> </ul>	<p>The asset is meeting the level of service required by users of the service.</p>	Planned and tracked (2)
	<ul style="list-style-type: none"> <li>▪ Do the assets meet regulatory requirements?</li> </ul>	<p>The assets meet regulatory requirements.</p>	Planned and tracked (2)

Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
Asset System Analysis	<ul style="list-style-type: none"> <li>▪ Are the asset system components documented?</li> <li>▪ Has the asset performance and condition been assessed?</li> <li>▪ Does the asset management plan include an asset register and plans of asset system components?</li> <li>▪ Does the register record asset type, location, material and an assessment of assets' physical/ structural condition?</li> <li>▪ Are systems in place to assess asset and practice efficiency?</li> <li>▪ Assets assessed for capability and deficiencies of current assets to meet performance requirements?</li> <li>▪ Are practices covering operating rules and maintenance documented?</li> </ul>	<p>The Asset Management Plan has a comprehensive listing of all asset system components.</p> <p>There was some difficulty in assessing the remaining life of the assets being transferred from the Water Corporation, particularly the buried pipeline. A camera probe was used but this cannot ascertain the condition of the rubber seals that seal the connection between each pipe.</p> <p>Yes, in Section 6-1 and Appendix A.</p> <p>Yes. The Asset Register detailing the type/location and structure of the assets.</p> <p>Performance indicators are in place to meet the requirements of the operating license reflect efficiency.</p> <p>Valves are regularly checked as part of the preventative maintenance; however there is difficulty in assessing the condition of underground pipe.</p> <p>The Tactical Plan in the Asset Management Plan outlines the Operations Action Plan and the Maintenance Plan.</p>	<p>Well-defined (3)</p> <p>Well-defined (3)</p> <p>Well-defined (3)</p> <p>Well-defined (3)</p> <p>Well-defined (3)</p> <p>Well-defined (3)</p> <p>Well-defined (3)</p>

Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
	<ul style="list-style-type: none"> <li>▪ Do maintenance plans cover preventative and corrective maintenance?</li> <li>▪ Are actual assets and human resources appropriate for performance requirements?</li> <li>▪ Do operation and maintenance practices reflect performance targets?</li> <li>▪ Are costs measured and recorded?</li> <li>▪ Is the asset underutilised?</li> <li>▪ Is the level of maintenance justified against replacement costs?</li> <li>▪ Has the asset been inspected?</li> </ul>	<p>Yes, they cover the type and frequency of maintenance but outline the task only and not any specific procedures.</p> <p>Actual assets and human resources appear appropriate for performance requirements.</p> <p>Yes.</p> <p>All costs associated with asset maintenance are recorded in the General Ledger.</p> <p>Based on our observations, no assets appear to be underutilized.</p> <p>Based on our observations it would appear to be justified, decisions are made by staff on a case by case basis.</p> <p>Inventory stocktakes are done on monthly basis on the last business day of the month. Asset stocktakes are not done regularly as the asset comprises buried pipes and fittings. The Eastings and Northings of all extensions are recorded electronically in the system as are any new services connected to the system and the asset register is updated accordingly.</p>	<p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p>

Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
	<ul style="list-style-type: none"> <li>▪ Is the asset’s theoretical life known?</li> <li>▪ Does the asset management plan enable the prediction of asset deterioration and failure?</li> </ul>	<p>Yes as per the Asset Register.</p> <p>In the section on annual cost of managing assets, replacement costs are listed as are the frequency of expected failures.</p>	<p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p>
Risk Analysis and Contingency Planning	<ul style="list-style-type: none"> <li>▪ Do the maintenance plans and operational plans relate to what is required to achieve the levels of service required of the system?</li> <li>▪ Has a risk assessment of the asset been conducted?</li> <li>▪ Has the probability and consequences of asset failure been identified?</li> <li>▪ Are appropriate contingency plans in place?</li> <li>▪ Is risk management practiced?</li> <li>▪ Where unacceptable risks have been identified have risk control measures been implemented?</li> </ul>	<p>Yes.</p> <p>A comprehensive Risk Management Plan has been produced for Gascoyne Water Cooperative and is part of the Asset Management Plan. The Strategic Plan includes a very comprehensive Business Risk register.</p> <p>Yes, as part of the Risk Management Plan.</p> <p>Yes, as part of the Asset Management Plan.</p> <p>Yes, as part of the Asset Management Plan.</p> <p>Yes, as part of the Asset Management Plan.</p>	<p>Planned and tracked (2)</p> <p>Quantitatively Controlled (4)</p> <p>Quantitatively Controlled (4)</p> <p>Quantitatively Controlled (4)</p> <p>Quantitatively Controlled (4)</p> <p>Quantitatively Controlled (4)</p>



Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
Financial Planning	<ul style="list-style-type: none"> <li>Where events that may result in severe consequences have been identified have contingency plans been developed?</li> </ul>	Seven separate possible events have been identified in the contingency plans.	Quantitatively Controlled (4)
	<ul style="list-style-type: none"> <li>Does the operational plan provide projections of operating statements (profit and loss) and statements of financial position (balance sheets)</li> </ul>	Yes. A Financial and Pricing Plan has been developed. Long term budget has been addressed in the plan (7.2 Operating Budget) and Long Term Budgets (Strategic Plan).	Quantitatively Controlled (4)
	<ul style="list-style-type: none"> <li>Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives?</li> </ul>	Yes, the 2004-2006 business plan links Strategic Objectives to operational objectives and the actions agreed upon to meet those objectives.	Quantitatively Controlled (4)
	<ul style="list-style-type: none"> <li>Does the financial plan identify the source of funds for the capital expenditure plan?</li> </ul>	Yes, and currently an annual fee is charged by GWAMCO to its members to fund future development.	Quantitatively Controlled (4)
	<ul style="list-style-type: none"> <li>Is the source of funds for operations, maintenance and administration identified in the financial plan?</li> </ul>	Yes. As mentioned, GWC only has to pay for fixing the first four bursts in a year for the first five years and then for the next five years the Water Corporation must help meet any short falls in operating costs.	Quantitatively Controlled (4)
	<ul style="list-style-type: none"> <li>Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period?</li> </ul>	No. Income is dependent upon aquifer conditions, growing patterns and alternate water resources available to members.	Not applicable
	<ul style="list-style-type: none"> <li>Does the financial plan provide for the operations and maintenance, administration and capital expenditure requirements of the scheme?</li> </ul>	Yes.	Quantitatively Controlled (4)

Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
Capital expenditure planning	<ul style="list-style-type: none"> <li>▪ Has a capital expenditure plan been prepared?</li> <li>▪ Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates?</li> <li>▪ Does the plan provide reasons for capital expenditure and timing of expenditure?</li> <li>▪ Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan?</li> </ul>	<p>Capital expenditure planning is identified as a need in the Asset Management Plan for GWAMCO. A comprehensive proposed Scheme Concept Design has been completed.</p> <p>The Scheme Concept Design appears quite comprehensive, as it is proposed only, no specific responsibilities or deadlines have been attached.</p> <p>Yes.</p> <p>Yes.</p>	<p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p> <p>Planned and tracked (2)</p>
Review	<ul style="list-style-type: none"> <li>▪ Is a review process in place to ensure that asset management plans are kept current?</li> <li>▪ Are asset management plans being reviewed at appropriate intervals?</li> <li>▪ Are the asset management plans current?</li> </ul>	<p>The Quality Management section of the Asset Management Plan has a section on reviewing the plan.</p> <p>The Asset Management Plan is due to be reviewed one year after its creation and thereafter at five yearly intervals.</p> <p>Yes, the current asset management plan is dated 6 July 2004.</p>	<p>Well-defined (3)</p> <p>Well-defined (3)</p> <p>Well-defined (3)</p>

# 7

## Appendix – Audit Planning and Prioritisation Document

## OPERATIONAL/PERFORMANCE AUDIT

AUDITABLE UNIT	KEY RISK	Operating License Reference (Cl.=Class, 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)	Audit Priority (1,2,3,4,5)	CONTROLS IN PLACE
Technical Standard	<ul style="list-style-type: none"> <li>Service provided not comply to the standard</li> </ul>	Cl.8	3	C	M	S	3	<ul style="list-style-type: none"> <li>Periodical technical inspection and report (independent technical specialist)</li> </ul>
Accounting Records	<ul style="list-style-type: none"> <li>Accounts reported not reflecting the true and fair view of the accounts</li> <li>Qualified opinion of the financial statement</li> </ul>	Cl.10	3	C	L	S	4	<ul style="list-style-type: none"> <li>Documented accounting policies</li> <li>Chart of account in place</li> <li>Audit report of the financial statements (within 4 months of the end of the financial year)</li> </ul>
Pricing and Charges	<ul style="list-style-type: none"> <li>Unauthorised price charged to users</li> </ul>	Cl.11	3	B	L	S	3	<ul style="list-style-type: none"> <li>Written submission on proposed prices or charges (annually) to the Coordinator</li> <li>Methodology to be explained in the proposal</li> <li>Obtained approval from Coordinator</li> </ul>
Contracting of Services	<ul style="list-style-type: none"> <li>Contractor not comply to the term of conditions of the Licence</li> <li>Service provided by contractor non compliance to the legislation</li> </ul>	Cl.12 (a)	3	C	L	S	5	<ul style="list-style-type: none"> <li>Periodical review of contractors performance</li> <li>Inspection by Licensee in technical aspect of the contractor</li> </ul>

AUDITABLE UNIT	KEY RISK	Operating License Reference (Cl.=Class, 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)	Audit Priority (1,2,3,4,5)	CONTROLS IN PLACE
Water Service Provision	<ul style="list-style-type: none"> <li>Unable to supply water connection to applicant situated in the Operating Area</li> <li>Water connection to applicant not comply to the standard imposed by the Licensee</li> </ul>	Cl.12 (b)	3	C	M	S	4	<ul style="list-style-type: none"> <li>Documented policies and procedures explaining the Licensee condition and requirements</li> <li>Standard checking tools to ensure compliance with policies</li> <li>Approval for water connection</li> </ul>
Consumer Consultation	<ul style="list-style-type: none"> <li>Unable to justify Licensee performance</li> <li>Performance of the service provided by the Licensee</li> </ul>	Cl.17	2	B	M	M	3	<ul style="list-style-type: none"> <li>Annual public meeting to be minuted annually prior to making major changes to the Scheme</li> <li>Establish a 'Customer Council' to facilitate community involvement (minutes of meetings)</li> <li>Newsletter published to update the customer on the current issue or development of the Scheme</li> <li>Regular survey via newsletter / mail or local press</li> <li>Community gathering (expo etc)</li> <li>Forum with community</li> </ul>

AUDITABLE UNIT	KEY RISK	Operating License Reference (Cl.=Class, 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)	Audit Priority (1,2,3,4,5)	CONTROLS IN PLACE
Customer Service Charter	<ul style="list-style-type: none"> <li>▪ Unapproved Customer Service Charter</li> <li>▪ Non standardize Customer Service provided to Customers</li> <li>▪ No benchmark can be used to assess Licensee's performance</li> </ul>	Cl.18	3	B	L	S	3	<ul style="list-style-type: none"> <li>▪ Approved Customer Service Charter</li> <li>▪ Customer Service Charter in place and accessible to customers</li> <li>▪ Customer Service / complaints register updated and maintained</li> <li>▪ The Charter is reviewed once in every 2 years</li> </ul>
Dispute Resolution	<ul style="list-style-type: none"> <li>▪ Unsatisfactory Customer Service</li> </ul>	Cl.19	3	B	M	M	3	<ul style="list-style-type: none"> <li>▪ Complaints management system in place</li> <li>▪ Complaints register updated and maintained</li> <li>▪ Monthly report on the turn around time taken to resolve complaints</li> <li>▪ Complaints dispute to be forwarded to the Coordinator</li> <li>▪ Turn around time set to address the complaints (complaints to be resolved within 21 days - Schedule 2)</li> </ul>

AUDITABLE UNIT	KEY RISK	Operating License Reference (Cl.=Class, 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)	Audit Priority (1,2,3,4,5)	CONTROLS IN PLACE
Operating Area	<ul style="list-style-type: none"> <li>Water services not provided to the nominated area (as per agreement)</li> </ul>	Sch. 1	3	C	L	S	4	<ul style="list-style-type: none"> <li>Agreement between the Authority and Service Provider – executed</li> <li>Area plans is clearly justified and available for inspection</li> </ul>
Performance Standard	<ul style="list-style-type: none"> <li>Water services provided not according to the standard set as per Sch. 2</li> </ul>	Sch. 2	3	B	M	S	3	<ul style="list-style-type: none"> <li>Supply water suitable for irrigation purposes</li> <li>Issue of monthly water consumption account</li> <li>Replacement of faulty meter – procedure in place</li> <li>Job report – meter replacement to be signed off and verified</li> <li>Notice of disruption to be issued in a timely manner</li> </ul>

## ASSET MANAGEMENT REVIEW

Area/Process	Key Risks for the process	Key Controls in place to be in place to mitigate the risk	Adequacy of Existing Controls (S=Strong, M=Moderate, W=Weak)	Audit Priority (Scale 1 - 5)	Work Steps
Asset Planning	<ul style="list-style-type: none"> <li>▪ Incompliance to the Licence terms and condition (Clause 6).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Incompliance to the Licence terms and condition (Clause 6).</li> </ul>	Strong	3	<ol style="list-style-type: none"> <li>1. Review the Asset Management Policy</li> <li>2. Review the Asset Management Plan for all assets – ensure the plan being conveyed to the Coordinator (12 months after the issuance of the license.</li> <li>3. Test the effectiveness of the asset management process.</li> </ol>
Asset Creation and Acquisition	<ul style="list-style-type: none"> <li>▪ Unauthorised asset acquisition</li> <li>▪ New asset not updated in the register</li> <li>▪ Inadequate process for capturing asset adjustments.</li> <li>▪ Unauthorised asset adjustments.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Standard form exists for asset additions and other adjustments.</li> <li>▪ Asset adjustments need to be approved prior to processing</li> <li>▪ Details will be updated into the system</li> </ul>	Strong	3	<ol style="list-style-type: none"> <li>1. Ensure standard forms are used for asset adjustments.</li> <li>2. Ensure only approved adjustments are processed.</li> <li>3. Ensure assets are tagged.</li> <li>4. Select a sample of 20 adjustments processed (include 5 write-offs) in the Asset Register and ensure:               <ol style="list-style-type: none"> <li>a. approved forms were submitted</li> <li>b. the adjustments were correctly processed.</li> </ol> </li> </ol>



Area/Process	Key Risks for the process	Key Controls in place to be in place to mitigate the risk	Adequacy of Existing Controls (S=Strong, M=Moderate, W=Weak)	Audit Priority (Scale 1 - 5)	Work Steps
Asset Disposal	<ul style="list-style-type: none"> <li>▪ Unauthorised disposal of assets</li> <li>▪ No policies in place for disposal of assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Policies and procedures documented</li> <li>▪ Disposal of asset must be approved by management</li> </ul>	Strong	3	Refer to 'asset creation and acquisition' work steps.
Environmental Analysis	<ul style="list-style-type: none"> <li>▪ AMS do not address issues related to environmental analysis</li> <li>▪ AMS do not include potential threats and opportunities to the business</li> <li>▪ Assets not meeting the level of service required by customers/users</li> <li>▪ Asset does not meet regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ AMS developed by a specialist</li> <li>▪ Objectives were clearly defined in the Gascoyne Water Asset Mutual Cooperative Asset Management Plan</li> <li>▪ Section 6-3 of the Asset Management Plan includes the Risk Management Plan</li> <li>▪ The Regulatory Requirement are clearly documented In Section 5-1 and are being met.</li> </ul>	Strong	3	<ol style="list-style-type: none"> <li>1. Review the Asset Management Policy.</li> <li>2. Test the effectiveness of the asset management process.</li> </ol>

Area/Process	Key Risks for the process	Key Controls in place to be in place to mitigate the risk	Adequacy of Existing Controls (S=Strong, M=Moderate, W=Weak)	Audit Priority (Scale 1 - 5)	Work Steps
Asset Operations Asset Maintenance	<ul style="list-style-type: none"> <li>▪ Asset components were not documented</li> <li>▪ Assets conditions were not assessed</li> <li>▪ Asset register not maintained (movement of asset not monitored)</li> <li>▪ Insufficient details in the asset register (unable to identify specific assets)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset Register maintained listing all components of assets</li> <li>▪ Assets register detailing asset type, location, coordinate and etc.</li> <li>▪ Valve are regularly checked as part of preventive maintenance</li> <li>▪ Asset Management Plan covers the maintenance frequency</li> </ul>	Strong	3	<ol style="list-style-type: none"> <li>1. Review the Asset Management Plan</li> <li>2. Review and vouch the Asset Register</li> <li>3. Obtain the details on the last stock take conducted</li> <li>4. Review the Asset Maintenance Register, reconcile with GL.</li> </ol>
Asset Management Information System	<ul style="list-style-type: none"> <li>▪ No Asset Management System in place</li> </ul>	<ul style="list-style-type: none"> <li>▪ Performance indicators are in place to meet the requirements of the operating license reflect efficiency</li> <li>▪ The Tactical Plan in the Asset Management Plan outlines the Operations Action Plan and the Maintenance Plan</li> </ul>	Strong	3	<ol style="list-style-type: none"> <li>1. Review the Tactical Plan outlined in the Asset Management Plan</li> <li>2. Ensure operations action plan and maintenance plan in line with the license efficiency requirements</li> </ol>

Area/Process	Key Risks for the process	Key Controls in place to be in place to mitigate the risk	Adequacy of Existing Controls (S=Strong, M=Moderate, W=Weak)	Audit Priority (Scale 1 - 5)	Work Steps
Risk Management	<ul style="list-style-type: none"> <li>▪ No Risk Management Plan</li> <li>▪ Probabilities and consequences of assets failure are not identify</li> <li>▪ Absence or risk control measures</li> </ul>	<ul style="list-style-type: none"> <li>▪ Comprehensive Risk Management developed</li> <li>▪ The Strategic Plan includes the Business Risk Register</li> </ul>	Strong	3	1. Review the Risk Management Policy
Contingency Planning	<ul style="list-style-type: none"> <li>▪ Absence of Contingency Plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Seven separate possible events have been identified in the contingency plan.</li> </ul>	Strong	3	
Financial Planning	<ul style="list-style-type: none"> <li>▪ Operational plan do not provide projections of operating statement (profit &amp; loss) and statements of financial positions</li> <li>Financial plan cover the financial objectives and strategies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial and Pricing Plan has been developed addressing the operating budgets and long-term budgets</li> <li>▪ Business Plan links to Strategic Objective</li> </ul>	Strong	3	<ol style="list-style-type: none"> <li>1. Review the Financial and Pricing Plan</li> <li>2. Check if there is any new update version</li> </ol>

Area/Process	Key Risks for the process	Key Controls in place to be in place to mitigate the risk	Adequacy of Existing Controls (S=Strong, M=Moderate, W=Weak)	Audit Priority (Scale 1 - 5)	Work Steps
Capital Expenditure Planning	<ul style="list-style-type: none"> <li>▪ The plan does not cover action proposed, centre of responsibilities, deadline dates</li> <li>▪ Reason and timing of expenditure do not clearly justified</li> <li>▪ Capital expenditure inconsistent with asset life and conditions of the assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Comprehensive Scheme Concept Design has been completed</li> </ul>	Strong	3	<ol style="list-style-type: none"> <li>1. Review the Scheme Concept Design</li> <li>2. Discussion with the business owner</li> </ol>
Review of Asset Management System	<ul style="list-style-type: none"> <li>▪ The plan does not kept current</li> <li>▪ Asset Management Plan not being reviewed at appropriate intervals</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Quality Management section of the Asset Management Plan has a section on reviewing the plan</li> <li>▪ The Asset Management are due for review in every 5 years</li> <li>▪ The last review was done on the 6 July 2004.</li> </ul>	Strong	3	<ol style="list-style-type: none"> <li>1. Discussion with the business owner</li> <li>2. Understand the process</li> <li>3. Review the QA section of the Asset Management Plan</li> <li>4. Obtain the date on the last review done on the AMS</li> </ol>