

Ord Irrigation

2007 Operational Audit and Asset Management System Review

Final Report

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Executive Summary

1.1 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 has issued Ord Irrigation Cooperative Ltd in November 2002, 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 Ord Irrigation Cooperative Ltd (OIC) level of compliance with the conditions of its license and the effectiveness of the asset management system in place.

1.2 Overall Assessment

Compliance with the License Obligations

It is the auditors' professional view that Ord Irrigation Co-operative Ltd (OIC) is achieving an acceptable level of compliance with the requirements of the Operating License. However, we noted some exceptions as follows:

- Breach of License condition Cl.19 and Performance Standards – Sch.2: Complaints Register not maintained for record keeping and tracking of complaints; and
- Breach of License condition Cl.14 and Schedule 3: Delay in submitting information required to Economic Regulation Authority within 30 days of the end of each financial year.

Effectiveness of the Asset Management System

The overall asset management system and procedures are currently satisfactory. All aspects of the effectiveness criteria of asset management showed the dedication and competence of Ord Irrigation Cooperative Ltd, office and field staff in achieving an asset management system that meets the requirements of Section 36 of the Act and the license granted by the Authority under the Act.

However, we noted that the Asset Management Plan and Asset Management System have not been reviewed for more than 5 years. In order to have a good asset management process, we recommended that OIC review its Asset Management Plan and its overall Asset Management System on a periodical basis:

- Asset Management Plan – annual review; and to update the document if significant changes made by the management
- Overall Asset Management System – 5 years cycle review.

1.3 Summary of Compliance

OIC has in place the necessary processes and procedures to comply with the license obligations and performance standard as referred to the OIC's Water Services Operating License with the exception of breach of licence conditions Cl. 19 and Cl. 14 being:

- The non maintenance of a complaints register; and
- Delays in regulatory reporting to the Authority.

However, there are some business improvement opportunities have been raised to improve the current OIC's business process. Refer to 1.3 'Summary of Issues and Recommendations' for further details.

1.4 Summary of Issues and Recommendations

Operational / Performance Audit

The following table summarises the results of the assessment of the relevant standards, outputs and outcomes:

Licence Conditions	Standard	Compliance Rating	Issue	Recommendation	Post Audit Action Plan
Water Services in designated areas	Sch.1	5	N/A	N/A	N/A
Supply water suitable for Irrigation purposes	Sch.2	5	N/A	N/A	N/A
Water provision (connections and availability)	Cl.12(b), Sch.2	5	N/A	N/A	N/A
Standards and principles for the Provision of Water Services	Cl.15, Sch.2	5	N/A	N/A	N/A
Price or Charges	Cl.11		Not assessed	Not assessed	Not assessed

Licence Conditions	Standard	Compliance Rating	Issue	Recommendation	Post Audit Action Plan
Customer Complaints and investigation, conciliation and arbitration	Cl.19, Sch.2	2	Audit noted that complaints register is not maintained by the Cooperative.	All complaints (formal / informal) need to be updated in the Complaint Register for tracking and monitoring purposes. We recommended that the Cooperative clearly define its customer complaints process and procedures and add these to the office manual to ensure business continuity.	A Customer Complaints Register has been maintained by OIC from July 2007.
Customer Service Charter	Cl.18, Sch.3	5	N/A	N/A	N/A
Customer Consultation	Sch.4	5	N/A	N/A	N/A
Regulatory reporting to Authority on Schedule 3 on timely basis	Cl.14, Sch.3	2	We noted that there was still a delay in submitting Schedule 3 to the Authority by the Cooperative. In 2006, the information was submitted to the Authority on the 6th September 2006 (delayed by 36 days from the dateline) For 2005, we were unable to determine the delays (if any) due to lack of information.	We advised that the Cooperative develops a 'year end compliance' checklist / handbook. The handbook / checklist should be added to the agenda of the financial year end board meeting as a high priority. This is to ensure that all financial year end items are fully addressed and the datelines are met accordingly.	OIC is currently developing a 'handbook' to be used by the CEO in order to meet its regulatory requirements. This will include a requirement for the information to be submitted to the Authority in a timely manner.

Licence Conditions	Standard	Compliance Rating	Issue	Recommendation	Post Audit Action Plan
Compliance standard in Schedule 2	Cl.15(a)	3	<p>There were no formal complaints to the Cooperative noted during the audit. Complaints were made informally by the clients directly to the Operation Manager and not recorded in a Customer Complaints Register.</p> <p>It is recommended that the Cooperative develop a formal process for registering complaints. Refer to issue no.1</p>	Refer to recommendations on Customer Complaints.	Refer to Action Plan on Customer Complaints.
Financial statements	Cl.10	5	N/A	N/A	N/A
Recording of accounting records	Cl.10	5	N/A	N/A	N/A

Asset Management System Review

The following table summarises the results of the assessment of level of effectiveness of the current Asset Management System:

Process	Effectiveness Rating	Issue	Recommendation	Post Audit Action Plan
Asset Planning	3	N/A	N/A	N/A
Asset Creation / Acquisition	2	N/A	N/A	N/A
Asset Disposals	3	N/A	N/A	N/A
Environment Analysis	3	N/A	N/A	N/A
Asset Operations	2	N/A	N/A	N/A
Asset Maintenance	2	N/A	N/A	N/A
Asset Management Information System	2	N/A	N/A	N/A
Risk Management	3	N/A	N/A	N/A
Contingency Plan	3	N/A	N/A	N/A
Financial Planning	4	N/A	N/A	N/A
Capital Expenditure Planning	4	N/A	N/A	N/A

Process	Effectiveness Rating	Issue	Recommendation	Post Audit Action Plan
Review of Asset Management System	0	<p>The Asset Management Plan has been developed and finalised in 2000 and found to be outdated.</p> <p>A new management system (Greenbase) was put in place in 2006. the audit did not note any reassessment of asset condition or any evidence that the system has been used to update the Asset Management Plan</p>	<p>It is recommended the Asset Management system (including asset management plan) be reviewed every 5 years starting this year with the next one due in June 2013.</p> <p>The Asset Management Plan is a 'living' document. It needs to be reviewed and updated annually.</p> <p>Annual assets assessments process is to be implemented by OIC to determine the current condition of the assets</p>	<p>Currently, the Operation Manager and the CEO are reviewing the asset condition rating. This then will be formally documented and presented to the board for future planning.</p> <p>The management will ensure that the Asset Management Plan is reviewed annually and updated upon any changes.</p> <p>The Asset Management System will be reviewed in a 5 year cycle as recommended.</p>

2 Audit Scope and Objective

2.1 Audit Approach

2.1.1 Audit Scope, Objective and Methodology

Operational Audit

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

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

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

The scope of the audit will cover the following areas:

- **Risk Assessment** – the risks posed by non-compliance with the license standards and development of a risk-based audit plan to focus on the higher risks 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;
- **Outcome Compliance** – the actual performance against standards prescribe in the license throughout the audit period;
- **Output Compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of Performance Reporting** – the completeness and accuracy of the performance reporting to the Authority; and
- **Compliance with any individual licence conditions** – any specific requirements imposed by the Authority or specific issues for follow-up that are advised by the Authority.

Review of Asset Management System

The objective of the Asset Management System (AMS) review is to assess the adequacy and effectiveness of the asset management system in place for the planning, constructions, operation and maintenance of the licensee's assets.

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

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

- Asset Planning;
- Asset Creation/Acquisition;
- Asset Disposals;
- Environmental Analysis;
- Asset Operations;
- Asset Maintenance;
- Asset Management Information System;
- Risk Management;
- Contingency Planning;
- Financial Planning;
- Capital Expenditure Planning
- Review of AMS.

Methodology

The consultants:

- Carried out a preliminary risk assessment of the Operating License requirements and Asset Management System;
- 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;
- Obtained audit plan approval from ERA;

Fieldwork

- Confirmed action taken on any previous audit recommendations.
- Undertook the audit visit to the licensee to assess compliance with the following activities:
 - an analysis of documented procedures to assess whether they are consistent with regulatory requirements or arrangements under the licence;
 - a review of systems and procedures to assess whether they reflect compliance obligations and performance standards;
 - an analysis of information systems, procedures and controls for recording and assuring the quality of performance information provided to the Authority (this usually also requires audit testing of the completeness and accuracy of performance reporting to the Authority);
 - an assessment of compliance with the licence obligations over the audit period as well as at the time of audit; and
 - an assessment of any obligations, requirements, issues specific to the individual licensee.
- Performed more extensive audit testing of higher risk areas to provide sufficient assurance and confirmed lower risk areas by discussion and observation.
- Updated the risk assessment with any new information obtained in the course of the audit testing and, in instances of significant non-compliance, assessed the licensee's plan to ensure compliance and recommended improvements.
- In respect of the asset management system, the review covered the following:
 - analysed the licensee's documented procedures and processes for the planning, construction, operation and maintenance of assets to assess whether they are consistent with regulatory requirement, arrangements under the licence and the Authority's Audit Guidelines Electricity, Gas and Water (specifically Appendix 3 – A Guide to the AMS Effectiveness Framework);
 - interviewed key personnel to assess whether they understand and comply with the documented processes and procedures;
 - provided detailed comments on the effectiveness of the key processes of the asset management system; and
- assessed the licensee's plan for improvement in instances of significant deficiency and recommended improvements considered necessary.

Audit Reporting

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

2.1.2 Period Covered for this Audit

The audit covered the period from 1 June 2005 to 31 May 2007.

2.1.3 Period Covered during the previous Audit

The period covered by the previous audit was from July 2003 to May 2005.

2.1.4 Period Audit/Review Conducted

The audit was being undertaken from 18 October 2007 to 24 October 2007.

2.1.5 Ord Irrigation Representatives

The following representatives of Ord Irrigation participated in the audit and review:

Chief Executive Officer	Tony Chaffer
Office Manager	Marie Cloither
Operational Manager	Bruce Cowardine

2.1.6 List of Source Documents

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

1. Operating License (Irrigation Services) for Ord Irrigation – 15/10/04
2. Ord Irrigation – Approved Customer Service Charter
3. Ord Irrigation Area Asset Management Plan
4. Ord Irrigation Statement of Balance Sheet at 30/06/2006.
5. Ord Irrigation Statement of Income for the year ended 30/06/2006
6. Ord Irrigation Statement of Cash Flows for the year ended 30/06/2006
7. Ord Irrigation Operating License Report as at 30 June 2006.
8. The ERA Scope and Guidelines for Water Service License: Operational Audit, and Asset Management Reviews for the Ord Irrigation Co-operative Limited
9. Ord Irrigation Cooperative Limited Annual Report (2006)

2.1.7 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:

Task no.	Audit and Review Task	Team Member	Hours
1	Development and approval of Audit and Review Plan	Jacob Rechner	20
2	Fieldwork	Jusri Shari	26
3	Reporting and Follow-up	Jacob Rechner	14
	Total Hours		60

3 Previous Audit Recommendations

3.1 Operational / Performance Audit

Item No.	Recommendation	Action Taken	Closed Y/N
1.	<u>Customer Charter</u> Audit recommends that Ord Irrigation place their Customer Charter clearly on display in their office.	The Customer Charter is now being displayed at the front counter of OIC's office and also can be accessed via the OIC website.	Y
2.	<u>Information Provided to Authority</u> Audit recommends that Management ensure this information is submitted to the Authority before the allotted deadline (within 30 days of the end of each financial year).	From the review, we noted that Ord Irrigation still unable to meet the 30 days requirement set by ERA. Recurrent issue has been raised in relation to this matter. Refer to issue no.1 under the Section 3.2 'Observation and Recommendations.	N
3.	<u>Price or Charges</u> Audit recommends that Management ensure that proposed prices and charges and the methodology determining prices and charges to be submitted to the Authority for approval.	The issue remain as it is due to the fact that this clause to be excluded in the current Water Services Operating License issued by the Authority.	Y

3.2 Asset Management Review

Item No.	Recommendation	Action Taken	Closed Y/N
1.	<p><u>Asset System Analysis</u></p> <p>Audit recommends that the practices covering operating rules and maintenance be properly documented in the Cooperative's Policies and Procedures Manual.</p>	<p>The Cooperative obtained a new asset management system "GreenBase" in 2006. The system manual does address the operating rules and maintenance of the Cooperative's assets.</p> <p>Please refer to the copy of the Asset Management and Maintenance System 2006 documents.</p>	Y
2.	<p><u>Review of AMS</u></p> <p>Audit recommends that the Asset Management Plan is updated as soon as the assets are passed to the Ord Irrigation.</p>	<p><u>Asset Management Plan (AMP)</u></p> <p>OIC will be reviewing its AMP on an annual basis and update the plan accordingly upon any changes.</p> <p><u>Asset Management System (AMS)</u></p> <p>In accordance with good asset management practice, the overall AMS will be reviewed in 5 year's cycle. The review will be documented and presented to board for approval.</p>	N

4 Performance Summary

4.1 Operational/performance audit compliance summary

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,	Consequences (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk	Adequacy of Existing Controls (S=Strong, M=Moderate, W=Weak)	Compliance Rating (Refer to the 5-point rating scale in table 1 for details)				
						1	2	3	4	5
SERVICE DELIVERY										
Water Services in designated areas	Sch.1	1	C	Low	Strong					√
Supply water suitable for Irrigation purposes	Sch.2	3	B	High	Strong					√
Water provision (connections and availability)	Cl.12(b), Sch.2	2	C	Medium	Strong					√
Standards and principles for the Provision of Water Services	Cl.15, Sch.2	2	C	Medium	Strong					√
Price or Charges	Cl.11	2	C	Medium	Not assessed					
CUSTOMER SERVICE										
Customer Complaints and investigation, conciliation and arbitration	Cl.19, Sch.2	2	C	Medium	Moderate		√			
Customer Service Charter	Cl.18, Sch.3	2	C	Medium	Strong					√
Customer Consultation	Sch.4	2	C	Medium	Strong					√
PERFORMANCE MANAGEMENT										
Regulatory reporting to Authority on Schedule 3 on timely basis	Cl.14, Sch.3	1	C	Low	Weak		√			
Compliance standard in Schedule 2	Cl.15(a)	1	C	Low	Moderate			√		
FINANCIALS / ACCOUNTING										
Financial statements	Cl.10	1	C	Low	Strong					√
Recording of accounting records	Cl.10	1	C	Low	Strong					√

4.2 Asset Management System review effectiveness summary

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	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	√					

5 Recommendations

5.1 Operational/Performance Audit

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Issues Identified / Recommendations	Compliance Rating (0 to 5)
Cl.19, Sch.2	Customer Complaints and investigation, conciliation and arbitration	4	<p>The Cooperative has documented its Customer Service policies in the Customer Services Charter which was approved by ERA in November 2006.</p> <p>During the audit coverage period, there is no complaints register maintained by the Cooperative.</p> <p>It is the Cooperative's practice for the Operations Manager to resolve daily operations issues with growers directly. Therefore, no formal complaints were made by the growers to the Cooperative,</p> <p><u>Recommendation:</u></p> <p>All complaints (formal / informal) needs to be entered in the Complaint Register for tracking and monitoring purposes</p>	2

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Issues Identified / Recommendations	Compliance Rating (0 to 5)
			<p>We recommend that the Cooperative clearly define its customer complaints process and procedures (office purposes).</p> <p>These should be added in the office manual to ensure business continuity.</p>	
Cl.14, Sch.3	Regulatory reporting to Authority on Schedule 3 on timely basis	4	<p>We noted that there was still a delay in submitting Schedule 3 to the Authority by the Cooperative.</p> <p>In 2006 the information was submitted to the Authority on the 6th September 2006 (delayed by 36 days from the dateline)</p> <p>For 2005 we were unable to determine what delays (if any) were due to lack of information.</p> <p><u>Recommendation:</u></p> <p>We advised that the Cooperative develops a 'year end compliance' checklist / handbook. The handbook / checklist should be added to the agenda of the financial year end board meeting as a high priority.. This is to ensure that all financial end items are fully addressed and the datelines are met accordingly.</p>	2
Cl.15 (a)	Compliance Standard in Schedule 2	4	<p>There were no complaints made to the Cooperative during the audit coverage period. The board's minutes and grower's surveys were reviewed to confirm the matter.</p> <p><u>Recommendation:</u></p> <p>We advised for the Cooperative to have formal office's processes and procedures in dealing with complaints. Refer to issue no.1</p> <p>Complaint Register maintain effective from July 2007.</p>	

5.2 Asset Management System Review

No.	Issues Identified	Audit Priority (1=Highest, 5=Lowest)	Recommendations	Effectiveness Ratings
1.	<p>Asset Management Plan</p> <p>The Asset Management Plan has been developed and finalised in 2000 and found to be outdated.</p> <p>New management system (Greenbase) is in place in 2006 has not been updated in the Asset Management Plan and how it could reflect the initial plan.</p> <p>In addition, the assets have not been reassessed for its condition rating as to determine its current condition and life span</p>	2	<p>It is recommended that the overall Asset Management system (including asset management plan) be reviewed every 5 years starting this year with the next one due in June 2013.</p> <p>The Asset Management Plan is a 'living' document. It needs to be reviewed and updated annually.</p> <p>The review will be documented and presented to the board for adoption.</p>	<p>Not performed</p> <p>0</p>

6 Observations

6.1 Operational/Performance Audit

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Observations on system established to comply with license obligation (including recommendations)	Compliance Rating (0 to 5)
Sch.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 as approved by the Authority.</p>	5	<p>All services are provided within the licensed area in accordance with the license area diagram Plan Number OWR-OA-284.</p> <p>No other infrastructure or services are provided outside the designated area of operation.</p>	Compliant 5
Sch.2	<p><u>Supply Water Suitable for Irrigation purposes</u></p> <p>Schedule 2 requires licensee to ensure water supplied that is less 500 mg/L TDS</p>	2	<p>The Cooperative employed an Environmental Analyst to manage its environmental issues as well as the quality of the water supplied to the growers. Periodical reports are submitted to the CEO and to be reported in the board's meeting.</p>	Compliant 5

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Observations on system established to comply with license obligation (including recommendations)	Compliance Rating (0 to 5)
			Testing was done by reviewing the board's minutes meeting and the environment analysis report submitted to the CEO.	
Cl.12 (b) Sch.2	<p><u>Water 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 determine by the licensee.</p> <p>Satisfactory compliance with the conditions of connection is essential requirement of gaining approval to connect to the Licensee's schemes.</p>	4	<p>Land holdings entitled to connection were identified as those properties within the bounds of Stage 1 of the Ord River Irrigation Area as defined by the Water Corporation at the time of transfer. The majority of this land is already serviced. Any additional services or service requirements to land within this area that is currently not serviceable are provided by negotiation and in accordance with:</p> <ul style="list-style-type: none"> ▪ The customer requirements, and ▪ The capacity of the service infrastructure to provide to provide the service. <p>Review was done to the OIC/OIAMC minutes to 'Greens' location development.</p>	Compliant 5
Cl.15	<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>	4	<p>The water supplied to growers is only suitable for irrigation purposes.</p> <p>Continuous reminders to the growers via Shed Meetings and periodical newsletter as to keep the customers informed that the water supplied is a 'Non-Potable Water' which is not suitable for drinking.</p> <p>Sample test taken on the Shed Meetings minutes and review on the newsletter issued by the Cooperative.</p>	Compliant 5

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Observations on system established to comply with license obligation (including recommendations)	Compliance Rating (0 to 5)
Cl.11	<p><u>Prices and Charges</u></p> <p>On 1 June each year, the Licensee is required to provide a written submission on its proposed prices and charges and the methodology for determining prices or charges for the Authority approval.</p> <p>Any proposed subsequent amendment to prices and charges must also be forwarded to the Authority for approval.</p>	4	<p>This clause has not been complied since 2003/04. This is due to advice from ERA that, this clause is to be removed from future license requirements as it is not one they are particularly inclined to enforce</p>	Not assessed
Cl.19 Sch.2	<p><u>Customer Complaints</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 Services.</p>	4	<p>From the audit review we noted that there is no customer complaints register maintained to record and monitor complaints from clients.</p> <p>We recommended that the office procedures in relation to customer complaints to be improved by having it documented and maintaining comprehensive customer complaints register.</p> <p>From July 2007, a formal Customer Complaints Register has been maintained by the Cooperative.</p>	Non-Compliant 2

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Observations on system established to comply with license obligation (including recommendations)	Compliance Rating (0 to 5)
Cl.18 Sch.3	<p><u>Customer Charter</u></p> <p>Within 18 months of the issuance of the license, the Licensee must have in place a Customer Charter which communicates the agreed service standard to Customers.</p> <ul style="list-style-type: none"> ▪ The Customer Service Charter should; <ul style="list-style-type: none"> - drafted in 'plain English'; and - address all the service issues. ▪ Any proposed amendment to the Customer Service Charter must be forwarded to Coordinator for approval. ▪ The Customer Service Charter must be available to its Customers. ▪ Licensee provides services in a way that is materially consistent with its Customer Service Charter ▪ The Licensee must be able to demonstrate that the service standards in the Customer Service Charter are communicated to Customers if and when the standards are relevant to customers at the time of service or complaint is being made 	4	<p>The customer Service Charter was approved by ERA on the 1st November 2006.</p> <p>The review process continues and has been discussed at a number of board meetings after May 30th 2007.</p>	Compliant 5

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Observations on system established to comply with license obligation (including recommendations)	Compliance Rating (0 to 5)
Cl.17	<p><u>Customer Consultation</u></p> <p>On annual basis or prior in making major changes to the operation, the Licensee is required to hold a public meeting to obtain customer/ clients views on the performance and operation of the scheme.</p> <p>Licensee must establish ongoing customer consultation process via Establishing 'Customer Council' or either 2 of the followings;</p> <ul style="list-style-type: none"> ▪ Publish newsletter – 6 monthly; ▪ Community gatherings; or ▪ Conduct surveys 	4	<p>The OIC holds an annual general meeting for its shareholders (customers).</p> <p>During these meetings, shareholders are invited to question the board and management on any issues. The meetings also provide a mechanism for shareholders to nominate for board membership.</p> <p>The OIC issues newsletters every 4 to 6 monthly to provide details on any topical subject or strategic initiative.</p> <p>The OIC holds 6 monthly shed meetings with growers to provide them with updates / results of initiatives and monitoring programs.</p> <p>Annual surveys conducted to obtain feedbacks and inputs from growers.</p> <p>Audit review was done on the shed meeting meetings as well as the newsletter issued by the Cooperative.</p>	Compliant 5
Cl.14 Sch.3	<p><u>Regulatory reporting to Authority on Schedule 3</u></p> <p>The licensee is required to report the information set in Schedule 3. The reports are due within 30 days of the end of each financial year</p>	4	<p>OIC unable to meet the license requirement of Cl.14 for period:</p> <p>June 2006 – The report only being sent to the Authority on 6th September 2006 (delayed for 36 days)</p> <p>June 2005 - Audit was unable to determine the compliance of the Schedule 3 being submitted to the Authority for 2005 due to lack of information.</p> <p>Refer to section 5.1 for the recommendation raised.</p>	Non-compliant 2

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Observations on system established to comply with license obligation (including recommendations)	Compliance Rating (0 to 5)
Cl.15 (a) Sch 2	<p><u>Compliance to the quality and performance standard in Schedule 2</u></p> <ul style="list-style-type: none"> ▪ To supply water that is less than 500 mg/L TDS ▪ Receipt of water up to 2 days before and 3 days after the date requested – 95% achievement ▪ Advice on when water is scheduled for delivery – 90% achievement (not applicable) this is due to the service delivery is various among clients upon request sent. ▪ Issue of monthly water consumptions accounts within 5 business days of the end of the month – 90% achievement ▪ Replacement of faulty customer water meter before the commencement of the next watering period – 90% achievement ▪ 14 days written notice of planned disruption – 90% achievement ▪ Advice to affected customers within 6 hours of shutdown – 90% achievement ▪ Complaints to be resolved within 21 days – 90% achievement 	3	<p>From the testing and review done during the fieldwork, we noted that the Cooperative comply with the performance standard in Schedule 2.</p> <p>Audit tests:</p> <ul style="list-style-type: none"> (i) Review on the environmental analyst report to the CEO as well as the newsletter issued by the Cooperative stating the water quality of the water supplied. (ii) Sample test on the 20 'Water Request Form' faxed by the growers to determine the water services provided by the Cooperative. We noted that the water was supplied within 1 or 2 hours from the time requested by the growers. (iii) Sample test on 15 Water Statement issued in 2005, 2006 and 2007 as well as the Tax Invoices, we noted that the water consumptions statement are issued on the very next business day. This is due to the system in place generates the account statement automatically and being faxed manually to customers by the Cooperative. (iv) Review was made on the Waterman's log book to determine the turn around time taken for OIC to replace faulty water meters before the next watering period. No exception was noted. 	Compliant 3

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Observations on system established to comply with license obligation (including recommendations)	Compliance Rating (0 to 5)
	<ul style="list-style-type: none"> ▪ Repairs of reported fault within 2 business days – 90% achievement ▪ Respond to urgent repairs of faults within 2 hours – 90% achievement 		<p>(v) Testing was done of the efficiency notify its customers in relation to planned disruption and shutdown. The test including review of the notifications faxed to customers prior to shutdown and for planned disruption – the Cooperative will include on the annual calendar issued to customers.</p> <p>(vi) No complaints received during the audit coverage by the Cooperative.</p>	

License Reference	License Obligation	Audit Priority (1=Highest, 5=Lowest)	Observations on system established to comply with license obligation (including recommendations)	Compliance Rating (0 to 5)
Cl.10	<p><u>Accounting Records</u></p> <ul style="list-style-type: none"> ▪ Financial Statements ▪ Accounting Records ▪ The Director shall within 4 months of the end of the financial year; <ul style="list-style-type: none"> - cause to produced a P&L and Balance Sheet that gives a true and fair view of the company's financial position ad performance ▪ The statements are to be in the form of general purpose financial reports as defined in Statement of Accounting Concepts 1. <p>The Director shall take reasonable steps to ensure the statements are audited by registered Co-operative Ltd auditor.</p>	4	<p>Monthly reconciliation processes are in place.</p> <p>A monthly financial report is provided to OIC board for its meetings. The reports consist of:</p> <ul style="list-style-type: none"> - Balance Sheet - Profit and Loss <p>Explanatory statement of expenditure and revenues items that vary significantly from the budget profile.</p> <p>The financial records are audited at the end of every financial year.</p> <p>Review was done on the accounting system in place and the audited report by PKF.</p>	Compliant 5

6.2 Asset Management System Review

Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
Asset Planning/ Creation/ Acquisition/ Disposal	<ul style="list-style-type: none"> ▪ Have the strategic objectives for the asset been identified? 	<p>An 'Asset Management Plan' has been developed by the entity in November 2000.</p> <p>However, from the review we noted that the asset management plan has not been reviewed since November 2000. This leads to the assets structure itself has not being reviewed according to the maintenance schedule stipulated in the 'Asset Management Plan'.</p> <p>Further checking in the 'Green Base'-Asset Management System, it is confirmed that there was no reassessment on the asset rating of the assets.</p> <p>Testing approach:</p> <ul style="list-style-type: none"> b. Review of the Asset Management Plan c. Review of the 'Green-Base' Asset Management System i.e. acquisition, disposal, maintenance process. d. Asset ratings report <p>Currently, Ord Irrigation is reviewing the assets and reassessment of the asset ratings. The outcome of the review will be reported to the board for further action i.e. replace, capital works etc.</p>	<p>Well-defined 3 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"> ▪ Have the life cycle costs been considered? ▪ Has the need for new assets been determined and full project evaluation process been followed, including comparative assessment of non-asset solutions? ▪ Have documents recording relevant details on the asset been collected? 	<p>The life cycle cost has been incorporated in the Asset Management Plan and the projected budget of Ord Irrigation. Planned maintenance of assets will be communicated to finance as to be incorporated in the monthly budget review.</p> <p>Testing approach:</p> <ul style="list-style-type: none"> (i) Review of the Asset Management Plan (ii) Pro-forma forms completed by Operation Manager for Boards approval on planned maintenance (iii) Budget (monthly, 10 years OICM budget) <p>Currently, a review of the assets is still in progress. Results from the review will be communicated to the board in order to determine whether there are needs for new assets.</p> <p>Testing approach:</p> <ul style="list-style-type: none"> (i) Interview with CEO (ii) Discussion with Operational Manager <p>Asset is being recognized by asset ids. Then, it is being incorporated in the GreenBase system. The CEO maintained a separate asset register to reflect the initial asset register maintained by Water Corporation before the transfer of the assets.</p>	

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"> ▪ Have the performance requirements – availability of service, capacity, continuity, emergency response been documented? ▪ Are asset system objectives documented? ▪ Have opportunities and threats been in the system environment been assessed? ▪ Are regulatory obligations and statutory/ regulatory requirements documented? ▪ Is the asset meeting the level of service required by users of the service? ▪ Do the assets meet regulatory requirements? 	<p>An Environmental Analyst has been employed by the Cooperative to manage the irrigation environment issues. The analyst provides the environmental services to OIC and reports performance to CEO and at the monthly board meetings.</p> <p>Monthly reports by the analyst are tabled in the board's meeting (under the Environmental Program section).</p> <p>The opportunities and threats are being assessed continuously which involves grower's participation in order to maximize the full potential of the irrigation.</p> <p>Audit reviewed the board's minute meeting as well as the monthly report send by the analyst to the CEO.</p> <p>Assets are being rating according to its condition and life-span. During the initial review which was done in 2006, the overall rating found to be satisfactory.</p> <p>Continuous maintenance work is being performed by the Cooperative as to ensure the level of services provided to users.</p> <p>However, we recommend that the assets condition to be reviewed annually and documented as to have a better planning on the management of the assets.</p> <p>The review was done by Brown & Root in August 2006 with representatives from Water Corporation and Whelan Survey and Mapping Pty Ltd which resulting to assets conditions meet with the regulatory requirements fit for purpose.</p> <p>However, we were unable to determine the current</p>	Well-defined (3)

Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
		standard of the assets as there was no review has been currently done by OIC. An issue has been raised in relation to this.	
Asset System Analysis (Assets Operations, Maintenance and Assets Management System)	<ul style="list-style-type: none"> ▪ Are the asset system components documented? ▪ Has the asset performance and condition been assessed? ▪ Does the asset management plan include an asset register and plans of asset system components? ▪ Does the register record asset type, location, material and an assessment of assets' physical/ structural condition? 	<p>Comprehensive Asset Register maintained in the 'Greenbase' asset management system and incorporated as Appendix A of the Asset Management Plan.</p> <p>The last asset review was done in August 2000.</p> <p>During the audit visit, we noted that the reviewing process is currently in progress. The process is still at the early stage by comparing the asset listing in the assets management system and the asset register given by the Water Corporation upon transfer of assets.</p> <p>It is recommended that the OIC perform annual asset assessments as part of good asset management and planning practices</p> <p>The asset system components and an asset register are properly documented and incorporated in the asset management plan.</p> <p>Comprehensive data is made available in the 'Greenbase' assets management system based on the review done on the system.</p>	Planned and Tracked 2

Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
	<ul style="list-style-type: none"> ▪ Are systems in place to assess asset and practice efficiency? ▪ Assets assessed for capability and deficiencies of current assets to meet performance requirements? ▪ Are practices covering operating rules and maintenance documented? ▪ Do maintenance plans cover preventative and corrective maintenance? ▪ Do operation and maintenance practices reflect performance targets? ▪ Are costs measured and recorded? ▪ Is the asset underutilized? ▪ Is the level of maintenance justified against replacement costs? ▪ Has the asset been inspected? 	<p>Performance indicators in place to meet the requirements of the operating license that reflect the efficiency of the assets.</p> <p>Assets are being monitored on an ongoing basis by the Operation Manager. Maintenance works are performed continuously to ensure assets are fit for its purpose.</p> <p>This is being established by reviewing the pro forma forms submitted to the board for capital works.</p> <p>The operating rules and maintenance are being documented in 'Section 4 Tactical Plan' of the Asset Management Plan.</p> <p>Maintenance Levels of Service schedule has been incorporated in the Asset Management Plan.</p> <p>All costs associated with asset maintenance are recorded in general ledger as well as in the 'Greenbase' asset management system. For capital expenditure, it will accumulate into the asset's carrying value as to increase the value of the assets.</p> <p>No evidence that asset has been underutilized.</p> <p>The justification held at the board's discretion. Operational Manager will complete the pro forma form which detailing cost to be incurred, reasons and purpose for capital works.</p> <p>There is no formal inspection in place as the monitoring of the assets is performed on ongoing basis.</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"> ▪ Is the asset's theoretical life known? ▪ Does the asset management plan enable the prediction of asset deterioration and failure? 	<p>Theoretical lives of the assets are being determined during the set up of the Asset Management Plan and being updated in the Asset Register.</p> <p>However, we noted that there is a need for another review to be undertaken on the Asset Management Plan and the condition rating of the assets as to determine the current status of the assets.</p> <p>A recommendation has been raised in section 5.2 of this report.</p> <p>The assets register includes age, estimated life and remaining life of each assets reviewed.</p>	
Risk Analysis and Contingency Planning	<ul style="list-style-type: none"> ▪ Has a risk assessment of the asset been conducted? ▪ Has the probability and consequences of asset failure been identified? ▪ Are appropriate contingency plans in place? 	<p>A comprehensive Risk Management Plan has been developed by the Cooperative and it is part of the Asset Management Plan. This includes identifying the probability and consequences of asset failure.</p> <p>The identification is largely relying on the initial assets condition rating and future periodical review of the assets.</p> <p>Contingency plan is incorporated in the Asset Management Plan (Section 7 and Appendix C). Among the area included in the contingency plan;</p> <ul style="list-style-type: none"> - Cyclone Action Plan - Failure of bulk water supply - Failure of power supply 	Well-defined 3

Activity	Asset /Instrument/ Key Outputs and Performance	Systems and Procedures Established to Comply with each Obligation	Effectiveness Rating
	<ul style="list-style-type: none"> ▪ Is risk management practiced? ▪ Where unacceptable risks have been identified have risk control measures been implemented? 	<p>Continuous discussions in relation to risk management are performed in the monthly board's meeting.</p> <p>Risk control measures are defined in the Risk Management Policy and the Assets Management Plan.</p>	
Financial Planning	<ul style="list-style-type: none"> ▪ Does the operational plan provide projections of operating statements (profit and loss) and statements of financial position (balance sheets) ▪ Does the financial plan cover the financial objectives and strategies and actions to achieve the objectives? ▪ Does the financial plan identify the source of funds for the capital expenditure plan? ▪ Is the source of funds for operations, maintenance and administration identified in the financial plan? ▪ Does the financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period? ▪ Does the financial plan provide for the operations and maintenance, administration and capital expenditure requirements of the scheme? 	<p>Monthly financial performances are reported to the Board on monthly basis. This includes comparison of actual and budget for the month.</p> <p>There is no formal comprehensive strategic business plan developed by the Cooperative. However, they maintained a spreadsheet consists of OIC's yearly budget as well as the OIC (Mutual) 10 year's budget.</p> <p>The main source of fund is from the annual fee charged by the Cooperative to its customer.</p> <p>Source of funds for operations, maintenance and administration were identified in the OIC's yearly budget and in the Mutual's 10 years budget.</p> <p>The financial plan (10 years) includes provision for the operations, maintenance, administration cost, and capital expenditure aspect of the scheme and also prediction of income.</p>	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"> ▪ Has a capital expenditure plan been prepared? ▪ Does the plan cover the issues to be addressed, the actions proposed, the centre of responsibilities, and deadline dates? ▪ Does the plan provide reasons for capital expenditure and timing of expenditure? ▪ Is the capital expenditure plan consistent with the asset life and condition identified in the asset management plan? 	<p>Capital expenditures plan are included in the Mutual Budget and Works Plan. This information is incorporated into the annual budget with monthly costs being mapped out.</p> <p>Capital expenditure are planned and being discussed continuously during the Board's meetings.</p> <p>Pro-forma forms are being completed by the Operational Manager in the event if any capital works are required. This detailing plan, reasons and costing of the capital expenditure to be undertaken.</p> <p>Capital expenditure plan are in accordance with the assets condition rating which reflects the assets life span.</p>	Quantitatively Controlled 4
Review	<ul style="list-style-type: none"> ▪ Is a review process in place to ensure that asset management plans are kept current? ▪ Are asset management plans being reviewed at appropriate intervals? ▪ Are the asset management plans current? 	<p>Asset Management Plan is due for review since it last review in 2000.</p> <p>A recommendation is raised in Section 5.2 of this report.</p>	Not performed 0

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Signature of the Auditor

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

Jacob Rechner
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Date: 10 January 2008

7.1 Post-audit Implementation Plan

Recommendation	Proposed Action	Owner	Date
<p>All complaints (formal / informal) need to be entered in the Complaint Register for tracking and monitoring purposes</p> <p>Cooperative to clearly define its customer service process and procedures (office process). These should be added in the office manual to ensure business continuity.</p>	<p>A complaints register has been kept since July 2007 and details are reported at board meetings. The office manual will be updated to include this process.</p>	CEO	31/12/07
<p>We advise that the Cooperation to develop a 'year end compliance' checklist / handbook and to be added in the financial year end board's meeting as a high priority. This is to ensure all financial year end items are fully addressed and the datelines are met accordingly.</p>	<p>All policies, procedures and plans will be collated on a list with their review dates and the officer responsible for carrying out the review. An action plan will be developed to address those reviews that are overdue by June 2008.</p> <p>This list will be updated then included on the agenda of all future July board meetings and reviews that fall within that financial year will be identified and added to the agenda of the board meeting in the month that the review is due. They will remain on future agendas as business arising until such time as the review has been completed.</p>	CEO	30/6/08

Recommendation	Proposed Action	Owner	Date
<p><u>Asset Management Plan</u></p> <p>The Asset Management Plan is a 'living' document. It needs to be reviewed and updated annually.</p>	<p>Asset Management Plan to be reviewed to ensure compliance and to update any areas of the plan as required</p>	<p>CEO</p>	<p>30/3/08</p>
<p><u>Asset Management System</u></p> <p>It is recommended the Asset Management system (including asset management plan) be reviewed every 5 years starting in 2008 with the next one due in June 2013.</p>	<p>The overall asset management system will be reviewed this year and in every 5 years cycle as recommended.</p>	<p>CEO</p>	<p>30/3/08</p>