

Gascoyne Water Co-operative Limited

Operational Audit and Asset Management Review

Audit Report

1 October 2010



Perth

Level 12, 16 St Georges Terrace
Perth Western Australia 6000
GPO Box 3402 PERTH WA 6001
Telephone: +61 8 9476 3144
Facsimile: +61 8 9225 5594

Melbourne

Level 2, 520 Collins Street
Melbourne Victoria 3000
Telephone: + 61 3 8317 5660
Facsimile: + 61 3 8317 5650

Sydney

MLC Centre
Martin Place Sydney
New South Wales 2000
Telephone: +61 2 9238 6881

Paxon Consulting Group Pty Ltd ABN 23 970 908 281
Paxon Business and Financial Services Pty Ltd ABN 60 148 950 168

www.paxongroup.com.au

Table of Contents

1	Executive Summary	3
1.1	Background	3
1.2	Operational Audit	4
1.3	Asset Management Review	8
2	Audit/Review Scope	14
2.1	Objectives and Scope	14
2.2	Methodology.....	15
2.3	Time Period Covered in Audit/Review	16
2.4	Time Period of Audit/Review	16
2.5	Licensee's Representatives	17
2.6	Key Documents and Other Information Sources	17
2.7	Audit/Review Team Members and Hours Utilised	18
3	Licensee's Response to Previous Audit Recommendations	19
3.1	Operational Audit	19
3.2	Asset Management Review	20
4	Performance Summary	21
4.1	Operational Audit	21
4.2	Asset Management Review	41
5	Signature of Auditor	52

1

Executive Summary

1.1 Background

The regulation of water service industry in Western Australia is governed by the Water Services Licensing Act 1995 (the “Act”). The Act has established 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 licence set a range of conditions, including minimum service standards and regular reporting.

The Authority has issued a Water Services Operating Licence to Gascoyne Water Co-operative Limited trading as Gascoyne Water for the provision of irrigation and non potable water services. Licence was granted to Gascoyne Water Co-operative Limited on 23 June 2003 and amended on 6 August 2008 and 15 May 2009.

There have been no major changes to the type of license or business carried out since the previous audit. However, there was a minor change in the licence during the audit period, those licence conditions that were in Licence Version OL 1 which was not carried forward into the new licence was also considered in this audit. There were 6 conditions that were not carried forward to Licence Version IL/38.

Not less than every 24 months, Gascoyne Water is required to provide the Authority with an operational audit and a report on the effectiveness of its asset management system under section 37 and 36 respectively of the Act.

Gascoyne Water Irrigation Area covers an area of 2,000 hectares and a network of 37 km of pipeline with a total of 177 supply points.

The key assets for Gascoyne Water include pipelines and service points. There has been no major change to the assets since the last audit in 2007.

The audit has been conducted in accordance with Audit Guidelines: Electricity, Gas and Water issued by the Authority (2009). The audit has been conducted in order to assess the licensee’s level of compliance with the conditions of its licence and to assess the effectiveness of the asset management system.

The audit covered the period from 1 May 2007 to 30 April 2010.

1.2 Operational Audit

1.2.1 Summary of Opinion on the Control Environment

The control environment to ensure compliance with the licence conditions is assessed to be satisfactory.

1.2.2 Overall Assessment

In the auditor's professional view, Gascoyne Water is achieving an acceptable level of compliance with the requirements of the Water Services Operating Licence. A number of areas for improvement were identified that would improve the compliance. Refer to section 4.1.3 for more details.

1.2.3 Actions Taken on Previous Post-Audit Plan

The previous audit was conducted by Stamfords Advisors and Consultants in 2007. One recommendation was made in the operational audit report. This issue is unresolved and raised again in this Audit Report.

1.2.4 Summary of Issues and Recommendations

Licence Condition Reference	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Cl.6, Sch 3, Cl. 3.2(c) (d)	<ul style="list-style-type: none"> ▪ Gascoyne Water’s Customer Service Charter states that complaints will be resolved within “21 normal working days”. The Licence condition requires the complaints to be resolved within 15 business days. However, it was noted that the current Customer Service Charter was approved by the Authority in November 2006 and the licence that was in force in November 2006 states that complaints are to be resolved within 21 days. Therefore, the inconsistency is due to the difference in customer service charter review cycle and the amendment of the licence. ▪ Officers in charge of resolving the complaints did not sign off on the Complaints Register to verify that complaint have been resolved. 	<ul style="list-style-type: none"> ▪ It is noted that Gascoyne Water is currently in the process of updating their Customer Service Charter to correctly reflect the amended licence, that is, complaints will be resolved within 15 business days of being notified of their existence ▪ Officers in charge of resolving the complaints should ensure that they sign off on the Complaints Register once the complaint has been resolved. 	<ul style="list-style-type: none"> ▪ Amendments have been made to the Customer Service Charter. ▪ This breach occurred in the previous CEO’s tenure current and future complaints are the responsibility of the current GM. This recommendation has been implemented. 	General Manager Completed

Licence Condition Reference	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Cl.7, Sch 3, Cl.2	<ul style="list-style-type: none"> The amended Customer Service Charter was due for the Authority's approval by 30th November 2009. However, Gascoyne Water is still in the process of amending the Customer Service Charter. 	<ul style="list-style-type: none"> Gascoyne Water should ensure that the Customer Service Charter is reviewed and sent for Authority's approval within the approved timeframe and issue the amended Customer Service Charter to all customers at least once in every three year period. 	<ul style="list-style-type: none"> The management and senior administration of Gascoyne Water Cooperative will endeavour to respond within the approved time frame for future reviews. Deadlines will be included in a reminder calendar. 	General Manager, December 2010
Cl.8, Sch 3, Cl.4.4	<ul style="list-style-type: none"> Gascoyne Water's Annual General Meeting's agenda does not include the following: <ul style="list-style-type: none"> (i) season opening and closing conditions; (ii) tariffs; and (iii) scheme operation. 	<ul style="list-style-type: none"> Gascoyne Water should ensure that the agenda for the Annual General Meeting include: <ul style="list-style-type: none"> (i) season opening and closing conditions; (ii) tariffs; and (iii) scheme operations as required by the Licence. 	<ul style="list-style-type: none"> The required information will be included in the current year's AGM planned for October 2010 and all future AGMs. 	General Manager, October 2010
Cl. 20, Sch 4, Cl.1.1 Cl. 15, Sch 2 (Version IL/38)	<ul style="list-style-type: none"> The Customer Service Charter states that all customers will be notified at least 48 hours in advance of all scheduled shut downs. This is not in compliance with the Licence condition which requires 5 business days notice to be given for any planned service interruptions. Water is not tested regularly to ensure that it contains 1200 mg/L of TDS. 	<ul style="list-style-type: none"> Management needs to amend Customer Service Charter to reflect that customers will be given 5 business days notice for all planned service interruptions. Management needs to perform regularly testing of water to ensure that it contains less than 1200 mg/L TDS. 	<ul style="list-style-type: none"> Customer Service Charter has been amended. Water will be tested monthly to ensure that it contains less than 1200 mg/L of TDS. 	General Manager, Completed General Manager January 2011

Licence Condition Reference	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Cl.21.2, Sch 5, Cl.2.1	<ul style="list-style-type: none"> There is currently no documented procedure or a formalised reminder mechanism to ensure that the deadlines for reporting requirements of the Authority are met. 	<ul style="list-style-type: none"> Gascoyne Water should develop formalised documented procedures capturing all the compliance requirements under the licence. This document should also capture the assigned responsibility and deadlines for each task. 	<ul style="list-style-type: none"> This document is in the process of being drafted for formulation. External assistance is sought to complete task. 	General Manager, February 2011
Sch 6, Cl.2.1 Cl. 12 (Version IL/38)	<ul style="list-style-type: none"> Gascoyne Water does not have a "Conditions for Connection" document in place. 	<ul style="list-style-type: none"> Gascoyne Water should develop a "Conditions of Connection" document and ensure that the document is made available to all applicants for connections and people inquiring about connection. 	<ul style="list-style-type: none"> Conditions of Connection have been drafted and included into the Customer Service Charter. Customers will be supplied with a copy on inquires of connection. 	General Manager, Completed

1.3 Asset Management Review

1.3.1 Summary of Opinion on the Control Environment

The control environment for asset management is assessed to be unsatisfactory.

1.3.2 Overall Assessment

In the auditor's professional view, Gascoyne Water does not have an effective asset management system. A number of areas for improvement were identified. Refer to Section 4.2.4 for more details.

1.3.3 Actions Taken on Previous Post-Audit Plan

The previous audit was conducted by Stamfords Advisors and Consultants in 2007. No recommendation was made in the Asset Management Review report.

1.3.4 Summary of Issues and Recommendations

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Asset Planning	<ul style="list-style-type: none"> Asset Management Plan has not been reviewed since 2004. 	<ul style="list-style-type: none"> Management should ensure that the Asset Management Plan is reviewed and updated on a regular basis. 	<ul style="list-style-type: none"> Management is currently seeking external professional assistance to review and update original asset management plan. 	General Manager, March 2011
Asset Creation and Acquisition	<ul style="list-style-type: none"> There is currently no documented policy or procedures for the asset creation and acquisition process. 	<ul style="list-style-type: none"> A policy should be formulated for the asset creation and acquisition process. Procedures for asset creation and acquisition must also be developed and documented. 	<ul style="list-style-type: none"> Management is currently seeking external professional assistance to review and update acquisition process and asset creation development plan. 	General Manager, March 2011
Asset Disposal	<ul style="list-style-type: none"> There is currently no documented policy or procedure for the asset disposal process. 	<ul style="list-style-type: none"> A policy should be formulated for the asset disposal process. Procedures for asset disposal must also be developed and documented. 	<ul style="list-style-type: none"> Management is currently seeking professional assistance to review and update asset disposal process and future documentation. 	General Manager, March 2011
Environmental Analysis	<ul style="list-style-type: none"> There is no reporting or measuring of Gascoyne Water's performance against the set performance standards. 	<ul style="list-style-type: none"> Management should ensure that reporting against performance standards is done on a regular basis. 	<ul style="list-style-type: none"> Management is currently seeking external professional assistance to review and update performance standards and annual reviews. 	General Manager, March 2011

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Asset Operations	<ul style="list-style-type: none"> Risk management is not formally applied to prioritise operational tasks. Asset register does not include the assessment of asset's physical/structural condition. 	<ul style="list-style-type: none"> Management should develop a more formalised process for the prioritisation of operational tasks to demonstrate how risk management is applied in the process. Asset register should include the assessment of asset's physical/structure condition. 	<ul style="list-style-type: none"> Management is currently seeking external professional assistance to review and update operational reviews. Management is currently seeking external professional assistance to implement assessments of assets physical and structural conditions. 	General Manager, March 2011
Asset Maintenance	<ul style="list-style-type: none"> There is currently no documented policy or procedures for asset maintenance. Risk management is not formally applied to prioritise maintenance tasks. 	<ul style="list-style-type: none"> A policy should be formulated for asset maintenance. Procedures for asset maintenance must also be developed and documented. Management should develop a more formalised process for the prioritisation of maintenance tasks to demonstrate how risk management is applied in the process. 	<ul style="list-style-type: none"> Management is currently seeking external professional assistance to review and update original asset maintenance plan. Management is currently seeking external professional assistance to review and update original asset maintenance plan. Management is currently seeking external professional assistance to review and update original asset maintenance plan. 	General Manager, March 2011

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Asset Management Information System	<ul style="list-style-type: none"> All staff has access to edit property details which will indirectly amend the asset register. Daily backup tapes are not stored offsite. There is currently no independent checking of data entered into the asset management information system to ensure completeness and accuracy of data entry. There is currently no reporting procedure in place to assist with monitoring of licence obligations. 	<ul style="list-style-type: none"> Access to edit property details should be limited. Management should ensure that daily backup tapes are kept offsite to reduce risk of loss of data. Management should ensure that independent checking is done to ensure data entered into system is accurate. Management should develop a reporting process to monitor Gascoyne Water's compliance with their licence obligations. 	<ul style="list-style-type: none"> All further access will be limited senior administration. Back up tapes are updated on a daily basis. These tapes are stored on site in a fire proof safe. One tape is rotated weekly and kept off site by general manager. A reporting process to be created to monitor compliance needs and monitor Gascoyne water compliance in accordance with their licence obligations. 	General Manager, October 2010
Risk Management	<ul style="list-style-type: none"> Risk Management Policy, Risk Register and Risk Record have not been reviewed since 2004. 	<ul style="list-style-type: none"> Management should ensure that all policy and relevant documents associated with risk management is reviewed and updated on a regular basis. 	<ul style="list-style-type: none"> Risk management policy to be implemented a part of overall review. With plan to review on an annual basis. 	General Manager, March 2011

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Contingency Planning	<ul style="list-style-type: none"> ▪ Contingency Plan has not been reviewed since 2004. ▪ Responsibilities of each key personnel in the event of any incident is not documented. ▪ Contingency plan has not been tested. 	<ul style="list-style-type: none"> ▪ Management should ensure that contingency plan is reviewed on a regular basis. ▪ Management should ensure that the contingency place clearly document the responsibility of each key personnel in the event of any incident. ▪ The contingency plan should be tested for operating effectiveness. 	<ul style="list-style-type: none"> ▪ Contingency plan to be implemented with regular review date. ▪ Contingence plan to delegate responsibility to personnel. ▪ Contingency plan to be tested on an annual basis. 	General Manager, June 2011
Financial Planning	<ul style="list-style-type: none"> ▪ Gascoyne Water financial plan has not been updated since 2004. ▪ Financial plan is not comprehensive. 	<ul style="list-style-type: none"> ▪ Management should ensure that financial plan is reviewed on a regular basis. ▪ A more detailed financial plan should be developed which incorporates: <ul style="list-style-type: none"> (i) financial objectives and strategies and actions to achieve objectives; (ii) projections of operating statement and statement of financial position; and (iii) predictions on income. 	<ul style="list-style-type: none"> ▪ A new financial plan is to be drafted to address the propose asset replacement expansion and addressing objectives. Projections and prediction of costing and income. 	General Manager, June 2011
Capital Expenditure Planning	<ul style="list-style-type: none"> ▪ Gascoyne Water does not have a capital expenditure plan. 	<ul style="list-style-type: none"> ▪ Management should develop a capital expenditure plan. 	<ul style="list-style-type: none"> ▪ Capital expenditure plan to be implemented in conjunction with financial expenditure and management. 	General Manager, June 2011

Key Processes	Issue	Recommendation	Post-Audit Action Plan	Person Responsible / Date of Implementation
Review of AMS	<ul style="list-style-type: none"> ▪ A review process not in place. ▪ Asset Management Plan is not reviewed on a regular basis. 	<ul style="list-style-type: none"> ▪ Management should have a review process in place. ▪ Management should ensure that the Asset Management Plan is reviewed and updated on a regular basis. 	<ul style="list-style-type: none"> ▪ Review plan to be implemented. ▪ Review to be preformed annually. 	General Manager. November 2010

2

Audit/Review Scope

2.1 Objectives and Scope

2.1.1 Operational Audit

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

The audit has identified areas where improvement is required and recommended corrective actions as necessary.

The audit has applied 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 licence.

The scope of the audit covered the following areas:

- **Risk Assessment** – the risks imposed by non-compliance with the licence 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, including the adequacy of internal controls;
- **Outcome Compliance** – the actual performance against standards prescribe in the licence throughout the audit period;
- **Output Compliance** – the existence of output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of Reporting** – the completeness and accuracy of the compliance and performance reports provided by the Authority; and
- **Compliance with any individual licence conditions** – the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

2.1.2 Asset Management Review

The objectives of the Asset Management System (AMS) review was assess the measures taken by the licensee for the proper management of assets used in the provision and operation of services and, where appropriate, the construction or alternation of relevant assets.

The AMS review focused 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 scope of the AMS review covered the following key processes:

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

2.2 Methodology

2.2.1 Fieldwork – Operational Audit

- Conducted an initial meeting with relevant staff at Gascoyne Water and review processes to obtain an understanding of procedures, systems and controls in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and perform more extensive audit testing of higher risk areas to provide sufficient assurance and confirm lower risk areas by discussion and observation;
- Assessed compliance with licence conditions over the audit period as well as at the time of the audit;
- Followed up and confirm action taken on any previous audit recommendations;
- Researched the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes; and
- Developed appropriate recommendations for improvement for discussion with management.

2.2.2 Fieldwork – Asset Management Review

- Conducted an initial meeting with relevant staff at Gascoyne Water and review processes to obtain an understanding of procedures, systems and controls in place to ensure effective asset management;
- 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 ERA’s Audit Guidelines Electricity, Gas and Water;
- Evaluated the adequacy of the controls to cover the identified risks and perform more extensive audit testing of higher risk areas to provide sufficient assurance and confirm lower risk areas by discussion and observation;
- Followed up and confirm action taken on any previous audit recommendations;
- Researched the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes; and
- Developed appropriate recommendations for improvement for discussion with management.

2.2.3 Audit Reporting

- Prior to the conclusion of the audit visit, discussed any observations and recommendations with the representative of the licensee to confirm understanding of the issue and to agree upon the action to be taken.
- Provided 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.
- Provided 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 to be issued.
- Upon acceptance by the Authority, provided a copy of the final report (electronic in Word or PDF format) to the licensee who then provided an electronic copy and three printed copies of the report to the Authority.
- The Authority may make and publicly distribute copies of the final report and publish results in their entirety or in a comparative report. The Authority will make the report publicly available on the ERA website after the Authority has fulfilled its statutory functions (for example, advising the relevant Minister on the outcomes of the review).

2.3 Time Period Covered in Audit/Review

The audit covered the period from 1 May 2007 to 30 April 2010.

2.4 Time Period of Audit/Review

The audit was conducted from 10 June 2010 to 21 June 2010.

2.5 Licensee's Representatives

Gascoyne Water primary contacts are as follows:

Staff	Position
Joe Rebola	General Manager
Rae Sanderson	Office Manager
Steve Campbell	Administration Officer

2.6 Key Documents and Other Information Sources

2.6.1 Operational Audit

- Audit Guidelines: Electricity, Gas and Water Licences (Date: July 2009)
- Gascoyne Water Cooperative Limited Operating Licence (Date: 15th May 2009)
- 2007 Operational Audit and Asset Management System Review Recommendations
- Gascoyne Water Cooperative Limited Operating Area (Plan No.: OWR-OA-177)
- Customer Service Charter 2007 – 2009
- Customer Service Charter 2010 – 2012 (Currently being amended)
- Customer Complaints Register
- Customer Complaints Register Form
- Gascoyne Water Cooperative Office Procedures Manual
- “Gascoyne Water Comment” Newsletter
- Notice of ‘Non-Potable Supply’
- Gascoyne Water Annual Report 2007
- Gascoyne Water Annual Report 2008
- Annual General Meeting Minutes 2007
- Annual General Meeting Minutes 2008
- Annual General Meeting Minutes 2009
- Annual General Meeting Minutes 2010
- Notification of Amendment to Operating Licence
- Notices for Members Meeting
- Gascoyne Water Members Information Night Attendance Sheet
- Gascoyne Water Cooperative Services Survey 2007
- Articles of Association of Gascoyne Water Cooperative Limited

2.6.2 Asset Management Review

- Audit Guidelines: Electricity, Gas and Water Licences (Date: July 2009)
- 2007 Operational Audit and Asset Management System Review Recommendations
- Annual General Meeting Minutes 2007
- Annual General Meeting Minutes 2008
- Annual General Meeting Minutes 2009
- Annual General Meeting Minutes 2010
- Carnarvon Irrigation Area Asset Management Plan 200
- Gascoyne Water Co-operative Strategic Plan 2004-2019
- Gascoyne Water Co-operative Business Plan 2004-2006
- Gascoyne Water Asset Mutual Co-operative Business Case for the Upgrade of the Gascoyne Irrigation Pipeline (December 2008)
- Gascoyne Water Co-operative – Asset Register

2.7 Audit/Review Team Members and Hours Utilised

Staff	Hours
Cameron Palassis - Director	2
Suma George – Senior Audit Manager	25
Jeslyn Leong – Audit Consultant	57
TOTAL	84

3

Licensee’s Response to Previous Audit Recommendations

3.1 Operational Audit

Licence Reference	Condition	Recommendation	Action Taken	Resolved / Unresolved
Clause 14		<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The reporting requirements were added onto the Board Calendar to report information required in Schedule 3 to ERA within 30 days of the end of each financial year. However, audit noted that Gascoyne Water had ceased to utilise the Board Calendar as a reminder system in 2009. A recommendation had been raised in this year’s Operational Audit. 	Unresolved

3.2 Asset Management Review

Licence Reference	Condition	Recommendation	Action Taken	Resolved / Unresolved
No issues were reported in the previous report.				

4

Performance Summary

4.1 Operational Audit

4.1.1 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 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 minimum requirements.
Significantly Non-Compliant	1	Significant weaknesses and/or serious action required.
Not Applicable	N/A	Determined that the compliance obligation does not apply to the licensee's business operations.
Not Rated	N/R	No relevant activity took place during the audit period; therefore it is not possible to assess compliance.

4.1.2 Operational Audit Compliance Summary

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Grant of Licence	Cl.2.1, Sch 1, Sch 2	1	C	L	S					√		
Fees	Cl.4	2	C	M	S							√
Compliance with Legislation	Cl.5	3	C	H	S					√		

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Customer Complaints and Investigations, Conciliation and Arbitration	Cl.6, Sch 3, Cl.3	1	C	L	S				√			
Customer Charter	Cl.7, Sch3, Cl.2	2	C	M	S				√			
Customer Consultation	Cl.8, Sch3, Cl.4	2	C	M	S				√			
Customer Contracts	Sch 3, Cl.5	2	C	M	S							√

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)							
						1	2	3	4	5	N/A	N/R	
Customer Surveys	Sch 3, Cl.6	1	C	L	S							√	
Transfer of Licence	Cl.10	N/A - The Authority has the ability to independently assess compliance if the clause if exercised during the audit period.										√	
Cancellation of Licence	Cl.11												√
Surrender of Licence	Cl.12												√
Renewal of Licence	Cl.13												√
Amendment of Licence	Cl.14												√

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Accounting Records	Cl.15	3	C	H	S					√		
Operational Audit	Cl.16	1	C	L	S					√		
Asset Management System	Cl.17	3	B	H	S					√		
Reporting	Cl.18	1	C	L	S							√
Individual Performance Standards	Cl.19	3	B	H	S							√
Service and Performance Standards	Cl.20, Sch 4	3	B	H	S				√			

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Provision of any Information to the Authority	Cl.21.1	1	C	L	W					√		
Information Requirements (Reporting) – Benchmarking and Performance Monitoring of Information	Cl.21.2, Sch 5	1	C	L	W				√			
Information Requirements (Reporting) – Incident Reports (Operating Licence 38 Version OL1)	Cl. 21.2, Sch 5, Cl.3	1	C	L	W							√
Publishing Information	Cl.22	1	C	L	W							√

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Notices	Cl.23.1	1	C	L	S					√		
Review of Authority's Decisions	Cl.24	1	C	L	M							√
Obligations to Customer: Availability and Connection of Services	Sch 6, Cl.2	3	B	H	S			√				
Gascoyne Water Cooperative Operating Licence, Licence Registration Number: IL/38												
General duty to provide services	Cl. 4	3	C	H	S					√		
Regulations prescribing standards of service	Cl. 5	3	C	H	S					√		

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Technical Standards	Cl.7	3	C	H	S					√		
Prices or charges	Cl.11	3	C	H	S					√		
Methods or principles to be applied in the provision of Water Services	Cl.12	3	C	H	S			√				
Performance of functions by the Licensee	Cl.15	3	C	H	S				√			

4.1.3 Observations and Recommendations

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence	Cl.2.1, Sch 1, Sch 2	<ul style="list-style-type: none"> ▪ Water services are provided to, those areas designated by the Plan Number OWR-OA-177(B). ▪ Irrigation lines are not available close to the boundary lines. 	<ul style="list-style-type: none"> ▪ None 	5
Fees	Cl.4	<ul style="list-style-type: none"> ▪ No fees to be paid during the audit period. 	<ul style="list-style-type: none"> ▪ None 	N/R
Compliance with Legislation	Cl.5	<ul style="list-style-type: none"> ▪ Gascoyne Water is required to comply with the Water Services Licensing Act 1995 and Co-operative Act 1943 ▪ The key legislative requirements are incorporated into the licence. 	<ul style="list-style-type: none"> ▪ None 	5
Customer Complaints and Investigations, Conciliation and Arbitration	Cl.6, Sch 3, Cl.3	<ul style="list-style-type: none"> ▪ A complaints procedures manual is in place. Gascoyne Water currently follows the procedures as per the Manual. ▪ A customer complaint register is in place and records all the customers' complaints. ▪ A unique identifying complaint number is assigned for each complaint. ▪ A trained Administration Officer is available in the office for dealing with customer 	<ul style="list-style-type: none"> ▪ Gascoyne Water should amend the Customer Service Charter to state that the complaints will be resolved within 15 business days of being notified of their existence. It is noted that Gascoyne Water is currently in the process of updating their Customer Service Charter to correctly reflect the amended licence. ▪ Officers in charge of resolving the complaints should ensure that they sign off on the Complaints Register once the 	4

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>complaints. Furthermore, all staffs are trained on the procedures for dealing with customer complaints.</p> <ul style="list-style-type: none"> ▪ The minor complaints are verbally reported to the Board. Major complaints will be reported to Board formally and minuted. ▪ The complaints procedure manual states that all complaints are to be resolved within 21 calendar days (which equates to 15 business days). ▪ The Customer Service Charter however states that complaints will be resolved within '21 normal working days'. However, it was noted that the current Customer Service Charter was approved by the Authority in November 2006 and the licence that was in force in November 2006 states that complaints are to be resolved within 21 days. Therefore, the inconsistency is due to the difference in customer service charter review cycle and the amendment of the licence. It is also noted that Gascoyne is currently in the process of updating the customer service charter and will include the necessary changes to reflect the current licence. ▪ Customers can lodge a complaint with Gascoyne Water either by writing in or in person at the officer or in the field. 	<p>complaint has been resolved.</p>	

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> ▪ All customer complaints are filed in the Customer Complaints file for record keeping purposes. 		
Customer Charter	Cl.7, Sch3, Cl.2	<ul style="list-style-type: none"> ▪ A Customer Service Charter is in place. ▪ The charter is scheduled to be reviewed every two years. However, Gascoyne's current licence only requires customer service charter to be reviewed by the licensee at least once every three year period. ▪ The charter has been approved by the Authority. ▪ The charter is drafted in plain English. ▪ The charter addresses all service issues that are reasonably likely to be of concern to its customers. ▪ The charter has been drafted to apply to difference classes of customers. ▪ Copies of the customer charter are displayed at the Gascoyne Water office. ▪ The charter is made available at no charge to the customer via the internet and office reception. ▪ The charter is currently being reviewed. ▪ Gascoyne Water provides its services 	<ul style="list-style-type: none"> ▪ Gascoyne Water should ensure that the Customer Service Charter is reviewed and sent for Authority's approval within the approved timeframe and issue the amended Customer Service Charter to all customers at least once in every three year period. 	4

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		consistent with the charter.		
Customer Consultation	Cl.8, Sch3, Cl.4	<ul style="list-style-type: none"> ▪ Gascoyne Water achieves customer consultation via the following means: <ul style="list-style-type: none"> (i) Members Meeting held at least twice a year; (ii) Gascoyne Water newsletter "Gascoyne Water Comment" is circulated approximately 4-6 times a year; and (iii) Annual General Meeting. 	<ul style="list-style-type: none"> ▪ Gascoyne Water should ensure that the agenda for the annual meeting include: <ul style="list-style-type: none"> (i) season opening and closing conditions; (ii) tariffs; and (iii) scheme operation. 	4
Customer Contracts	Sch 3, Cl.5	<ul style="list-style-type: none"> ▪ Gascoyne Water has not entered into any customer contracts to provide water services that exclude, modify or restrict the terms and conditions of the licence. 	<ul style="list-style-type: none"> ▪ None 	N/R
Customer Surveys	Sch 3, Cl.6	<ul style="list-style-type: none"> ▪ The Authority did not require Gascoyne Water to commission an independent customer survey. 	<ul style="list-style-type: none"> ▪ None 	N/R
Transfer of Licence	Cl.10	<ul style="list-style-type: none"> ▪ The licence was not transferred. 	<ul style="list-style-type: none"> ▪ None 	N/R
Cancellation of Licence	Cl.11	<ul style="list-style-type: none"> ▪ The licence was not cancelled. 	<ul style="list-style-type: none"> ▪ None 	N/R
Surrender of Licence	Cl.12	<ul style="list-style-type: none"> ▪ The licence was not surrendered. 	<ul style="list-style-type: none"> ▪ None 	N/R
Renewal of Licence	Cl.13	<ul style="list-style-type: none"> ▪ The licence only expires on the 23rd June 2028. 	<ul style="list-style-type: none"> ▪ None 	N/R

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Amendment of Licence	Cl.14	<ul style="list-style-type: none"> ▪ The licence was amended on 15th May 2009. However, given that the Authority has the ability to independently assess compliance with this clause, no further work was done by Audit. 	<ul style="list-style-type: none"> ▪ None 	N/R
Accounting Records	Cl.15	<ul style="list-style-type: none"> ▪ Quickbook accounting software is used to maintain accounting records. ▪ Office Manger received training from the consultant from Quickbook on the usage of the system. ▪ External accountant (Mid Coast Partners) is engaged as Gascoyne Water's accountants. ▪ An annual audit is completed of the financial statements of Gascoyne Water by an independent party. For the last 2 years, Gascoyne Water was issued with unmodified audit opinion which implies that the financial statements are in compliance with Australian or equivalent international standards. 	<ul style="list-style-type: none"> ▪ None 	5
Operational Audit	Cl.16	<ul style="list-style-type: none"> ▪ It was noted that an independent audit was completed in July 2007. Gascoyne Water was granted allowance by ERA to conduct the next audit in 36 months. ▪ There appears to be no issues noted with respect to submitting reports to the Authority. 	<ul style="list-style-type: none"> ▪ None 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> ▪ For the current audit Gascoyne Water has complied with the audit guidelines with regard to appointment of the auditor and the scope of the audit. Gascoyne water is aware of the guidelines for the conduct of the audit and reporting of the results. ▪ The independent auditor appointed for current audit has been approved by the Authority. 		
Asset Management System	Cl.17	<ul style="list-style-type: none"> ▪ It was noted that an independent audit was completed in July 2007. Gascoyne Water was granted allowance by ERA to conduct the next audit in 36 months. ▪ No major changes to asset management system during audit period. ▪ There appears to be no issues noted with respect to submitting reports to the Authority. ▪ For the current audit Gascoyne Water has complied with the audit guidelines with regard to appointment of the auditor and the scope of the audit. Gascoyne water is aware of the guidelines for the conduct of the audit and reporting of the results. ▪ The independent auditor appointed for current audit has been approved by the Authority. 	None	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Reporting	Cl.18	<ul style="list-style-type: none"> Gascoyne Water is not under external administration and Gascoyne Water has not experienced a significant change in its corporate, financial or technical circumstances. 	<ul style="list-style-type: none"> None 	N/R
Individual Performance Standards	Cl.19	<ul style="list-style-type: none"> There is not a condition for Gascoyne Water to comply with. This clause states what the Authority may do in setting individual performance standards. 	<ul style="list-style-type: none"> None 	N/R
Service and Performance Standards	Cl.20, Sch 4	<p><u>Service Standard 1</u></p> <ul style="list-style-type: none"> Customers are informed that the water supplied is not suitable for drinking via the customer charter. Non-suitability notice is also sent to customers annually and as and when opportunity arises. <p><u>Service Standard 2</u></p> <ul style="list-style-type: none"> Gascoyne Water do not test the water regularly to ensure that it contains less than 1200 mg/L TDS. <p><u>Service Standard 3</u></p> <ul style="list-style-type: none"> A customer complaints register is in place that records all customer complaints. Officers are required to document all complaints on "Gascoyne Water Complaint 	<ul style="list-style-type: none"> Management needs to amend Customer Service Charter to reflect that customers will be given 5 business days notice for all planned service interruptions. Management needs to perform regularly testing of water to ensure that it contains less than 1200 mg/L TDS. 	4

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>Register” form.</p> <ul style="list-style-type: none"> ▪ All customer complaints are filed in the Customer Complaint file for record keeping purposes. ▪ All minor complaints are reported to the Board verbally. All major complaints are reported to Board formally. ▪ 90% of customer complaints are resolved in 15 business days. <p><u>Service Standard 4</u></p> <ul style="list-style-type: none"> ▪ It is stipulated in Customer Service Charter that all customers will be notified at least 48 hours in advance of all scheduled shut downs with the exception of leaks and bursts. ▪ With the exception of leaks and bursts, there were not any planned service interruptions that occurred during the period of audit. 		
Provision of any Information to the Authority	Cl.21.1	<ul style="list-style-type: none"> ▪ It is the responsibility of the General Manager to delegate staff with the responsibility to ensure timely provision of any information requested by the Authority. 	<ul style="list-style-type: none"> ▪ None 	5
Information Requirements (Reporting) – Benchmarking and Performance Monitoring of	Cl.21.2, Sch 5	<ul style="list-style-type: none"> ▪ There is currently no documented procedure or a formalised reminder mechanism to ensure that the deadlines 	<ul style="list-style-type: none"> ▪ Gascoyne Water should develop formalised documented procedures capturing all the compliance requirements under the 	4

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Information		<p>for the reporting requirements of the Authority are met.</p> <ul style="list-style-type: none"> An annual report is submitted to the Authority in accordance with the requirements of the Water Compliance Reporting Manual. 	<p>license. This document should also capture the assigned responsibility and deadline for each task.</p>	
Information Requirements (Reporting) – Incident Reports (Operating Licence 38 Version OL1)	Cl. 21.2, Sch 5, Cl.3	<ul style="list-style-type: none"> No such incidents occurred. 	<ul style="list-style-type: none"> None 	N/R
Publishing Information	Cl.22	<ul style="list-style-type: none"> The Authority has not directed Gascoyne Water to publish any information during the audit period. 	<ul style="list-style-type: none"> None 	N/R
Notices	Cl.23.1	<ul style="list-style-type: none"> All notices from the Authority were in writing and received on time. 	<ul style="list-style-type: none"> None 	5
Review of Authority’s Decisions	Cl.24	<ul style="list-style-type: none"> No review of Authority’s decisions was sought during the audit period. 	<ul style="list-style-type: none"> None 	N/R
Obligations to Customer: Availability and Connection of Services	Sch 6, Cl.2	<ul style="list-style-type: none"> Gascoyne Water do not have a Conditions for Connection made available to applicants. However, it is noted that Gascoyne Water is intending to include Conditions for Connection into their new Customer Service Charter. Services will be made available for connection if customers have the financial ability to fund the connection. 	<ul style="list-style-type: none"> Gascoyne Water should develop a Conditions of Connection document and ensure that the document is made available to all applicants for connection and people inquiring about connection. 	3

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Gascoyne Water Cooperative Operating Licence, Licence Registration Number: IL/38				
General duty to provide services	Cl. 4	<ul style="list-style-type: none"> It was documented in the Customer Service Charter that Gascoyne Water's duty is to supply irrigation water. Daily operations of Gascoyne Water are to supply irrigation water and the responsibilities of Fieldsmen are to undertake, maintain and operate any water services works to the irrigators. 	None	5
Regulations prescribing standards of service	Cl. 5	<ul style="list-style-type: none"> NA – This is covered as part of Clause 5 (Compliance) above. 	None	5
Technical Standards	Cl.7	<ul style="list-style-type: none"> Gascoyne Water is providing water services in accordance with the technical standards. 	None	5
Prices or charges	Cl.11	<ul style="list-style-type: none"> Pricing of water is submitted to the Authority annually together with the information due to the Authority every 31st July. 	None	5
Methods or principles to be applied in the provision of Water Services	Cl.12	<ul style="list-style-type: none"> N/A – This is covered as part of Schedule 6, Clause 2 (Other Provision: Obligations to Customer: Availability and Connection of Services) 	As above.	3
Performance of functions by the Licensee	Cl.15	<p><u>Service Standard 1</u></p> <ul style="list-style-type: none"> Customers are issued with water consumption accounts within 5 business 	<p><u>Service Standard 3</u></p> <ul style="list-style-type: none"> As above 	4

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<p>days of the end of the month.</p> <ul style="list-style-type: none"> ▪ Accounts are automatically generated from system. <p><u>Service Standard 2</u></p> <ul style="list-style-type: none"> ▪ The Fieldsmen daily routine is to inspect the pipeline and water meters. ▪ Fieldsmen are required to respond to reports of faulty water meters immediately. <p><u>Service Standard 3</u></p> <ul style="list-style-type: none"> ▪ It is stipulated in Customer Service Charter that all customers will be notified at least 48 hours in advance of all scheduled shut downs with the exception of leaks and bursts. <p><u>Service Standard 4</u></p> <ul style="list-style-type: none"> ▪ Customers are notified of emergency shutdown by fax and call. <p><u>Service Standard 5</u></p> <ul style="list-style-type: none"> ▪ The Fieldsmen daily routine is to inspect the pipeline and water meters. ▪ Fieldsmen are required to respond to reports of any faults immediately <p><u>Service Standard 6</u></p> <ul style="list-style-type: none"> ▪ It is stated in the Office procedures that all urgent complaints need to be responded 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in place at Gascoyne Water to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		within 2 hours.		

4.2 Asset Management Review

4.2.1 Asset Management Process and Policy Definition Adequacy Ratings

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> ▪ Processes and policies are documented. ▪ Processes and policies adequately document the required performance of the assets. ▪ Processes and policies are subject to regular reviews, and updated where necessary. ▪ The asset management information system(s) are adequate in relation to the assets that are being managed.
B	Requires some improvement	<ul style="list-style-type: none"> ▪ Process and policy documentation requires improvement. ▪ Processes and policies do not adequately document the required performance of the assets. ▪ Reviews of processes and policies are not conducted regularly enough. ▪ The asset management information (s) requires minor improvements (taking into consideration the assets that are being managed).
C	Requires significant improvement	<ul style="list-style-type: none"> ▪ Process and policy documentation is incomplete or requires significant improvement. ▪ Processes and policies do not document the required performance of the assets. ▪ Processes and policies are significantly out of date. ▪ The asset management information system(s) significant improvements (taking into consideration the assets that are being managed).
D	Inadequate	<ul style="list-style-type: none"> ▪ Processes and policies are not documented. ▪ The asset management information system (s) is not fit for purpose (taking into consideration the assets that are being managed).

4.2.2 Asset Management Performance Ratings

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none"> ▪ The performance of the process meets or exceeds the required levels of performance. ▪ Process effectiveness is regularly assessed and corrective action taken where necessary.
2	Opportunity for improvement	<ul style="list-style-type: none"> ▪ The performance of the process requires some improvement to meet the required level. ▪ Process effectiveness reviews are not performed regularly enough. ▪ Process improvement opportunities are not actioned.
3	Corrective action required	<ul style="list-style-type: none"> ▪ The performance of the process requires significant improvement to meet the required level. ▪ Process effectiveness reviews are performed irregularly, or not at all. ▪ Process improvement opportunities are not actioned.
4	Serious action required	<ul style="list-style-type: none"> ▪ Process is not performed, or the performance is so poor that the process is considered to be ineffective.

4.2.3 Asset Management Effectiveness Summary

Asset Management System	Asset management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset planning	B	2
Asset creation/acquisition	D	1
Asset disposal	D	1
Environmental analysis	A	2
Asset operations	B	2
Asset maintenance	D	2
Asset management information system	B	3
Risk management	C	3
Contingency planning	C	2
Financial planning	C	3
Capital expenditure planning	D	2
Review of AMS	C	3

4.2.4 Observations and Recommendations

Asset System	Management	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Process Definition Rating	Management and Policy Adequacy	Asset Performance Rating	Management Rating
Asset planning		<ul style="list-style-type: none"> ▪ An Asset Management Plan is in place. ▪ Asset Management Plan has not been reviewed since 2004. ▪ Performance requirements and performance standards have been identified. ▪ Lifecycle costs of owning and operating assets for new project (Upgrade of the Gascoyne Irrigation Pipeline) had been taken into consideration in the Business Case (Financial Justification of the Gascoyne Irrigation Pipeline Project). ▪ Funding for project was identified in the Business Case. ▪ Cost and cost drivers are identified ▪ Risk assessment is done and prediction of asset failure is conducted. 	<ul style="list-style-type: none"> ▪ Management needs to ensure that the Asset Management Plan is reviewed and updated on a regular basis. 	B		2	
Asset creation/acquisition		<ul style="list-style-type: none"> ▪ There is currently no policies or procedures for asset creation and acquisition process. ▪ Management however do 	<ul style="list-style-type: none"> ▪ A policy should be formulated for the asset creation and acquisition process. ▪ Procedures for asset creation and 	D		1	

Asset Management System	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Process Definition Rating	Management and Policy Adequacy	Asset Performance Rating	Management Rating
	<p>undertake various levels of evaluations depending on the type of asset acquisition/creation. For example, the upgrade of the Gascoyne Irrigation Pipeline project started in 2008 and still ongoing. As part of the upgrade of the Gascoyne Irrigation Pipeline Project, full project evaluation was undertaken. Financial justification and economic evaluation was also conducted.</p>	<p>acquisition must also be developed and documented.</p>				
Asset disposal	<ul style="list-style-type: none"> ▪ There is currently no policies or procedures for asset disposal process. ▪ It is noted in the Articles of Association of Gascoyne Water Asset Mutual Co-operative Limited that assets are to be distributed in accordance with the Water Services Co-ordination Act (if relevant) and the bona vacantia rule. ▪ Gascoyne Water does not dispose of their assets. ▪ During daily inspections, Fieldsmen would identify any performance issues with the asset. These are reported to Administration Officer and recorded on the system and Work Order will be generated. . 	<ul style="list-style-type: none"> ▪ A policy should be formulated for the asset disposal process. ▪ Procedures for asset disposal must also be developed and documented. 	D		1	

Asset System	Management	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Process Definition Rating	Management and Policy Adequacy	Asset Performance Rating	Management Rating
Environmental analysis		<ul style="list-style-type: none"> ▪ Opportunities and threats in the system environment are assessed as part of the 15 year Strategic Plan. ▪ Performance standards are identified in Asset Management Plan. However, performance standards are not measured against or reported to Board. ▪ Compliance with statutory and regulatory requirements is achieved through the annual return submitted to the ERA. ▪ Customer service levels identified. 	<ul style="list-style-type: none"> ▪ Management should ensure that reporting against performance standards is done on a regular basis. 	A		2	
Asset operations		<ul style="list-style-type: none"> ▪ Operations Plan is documented in Asset Management Plan. ▪ Risk management is not formally applied to prioritise operational task. ▪ An asset register is maintained. Asset register do not document the assessment of asset's physical/structural condition. ▪ Operational costs are measured and monitored. Budget vs Actual costs are reported during Board meetings. ▪ Training is provided to staff when required. 	<ul style="list-style-type: none"> ▪ Management should develop a more formalised process for the prioritisation of operational tasks to demonstrate how risk management is applied in the process. ▪ Asset register should include the assessment of asset's physical/structure condition. 	B		2	

Asset System	Management	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Process Definition Rating	Management and Policy Adequacy	Asset Performance Rating	Management Rating
Asset maintenance		<ul style="list-style-type: none"> ▪ Maintenance plan is documented in the Asset Management Plan ▪ There is a lack of documented maintenance policy or procedures for asset maintenance. ▪ Regular inspections are undertaken. ▪ Work Order will be completed, for any maintenance work required to any pipeline or service point. ▪ Risk management is not formally applied to prioritise maintenance tasks. ▪ Maintenance costs are measured and monitored. Maintenance costs is monitored by General Manager and reported during the Board meetings. 	<ul style="list-style-type: none"> ▪ A policy should be formulated for asset maintenance. ▪ Procedures for asset maintenance must also be developed and documented. ▪ Management should develop a more formalised process for the prioritisation of maintenance tasks to demonstrate how risk management is applied in the process. 	D		2	
Asset management information system		<ul style="list-style-type: none"> ▪ AMS System is maintained by Greenbase. ▪ All staff has the access to edit property details. ▪ The asset register database is on the server. Access to Gascoyne Water's server is password protected. Each employee has their own unique UserID and password. ▪ Network is backed up daily. 3 backup tapes are maintained. 	<ul style="list-style-type: none"> ▪ Access to edit property details should be limited. ▪ Management should ensure that daily backup tapes are kept offsite to reduce the risk of loss of data. ▪ Management should ensure that independent checking is done to ensure data entered into system is accurate. ▪ Management should develop a reporting process to monitor Gascoyne Water's compliance with 	B		3	

Asset System	Management	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Process Definition Rating	Management and Policy Adequacy	Asset Performance Rating	Management Rating
		<ul style="list-style-type: none"> The daily backup tapes are not stored offsite. The weekly tapes are kept offsite.. Data input in the system is not checked independently for accuracy. Gascoyne Water does not have any report to assist with monitoring of licence obligations. 	<ul style="list-style-type: none"> their licence obligations. 				
Risk management		<ul style="list-style-type: none"> Risk management policy is in place. However, policy had not been reviewed since 2004. A risk register is maintained. However, register had not been reviewed since 2004. GWC Business Risk Record for each identified risk is completed and documented in GWC Business Risk Record in Gascoyne Water Co-operative Business Plan. However, Risk Record had not been reviewed since 2004. Management demonstrated appropriate understanding of risk management. 	<ul style="list-style-type: none"> Management should ensure that all policy and relevant documents associated with risk management is reviewed and updated on a regular basis. 	C		3	
Contingency planning		<ul style="list-style-type: none"> A contingency plan is in place. However, plan had not been reviewed since 2004. Responsibilities of each key personnel in the event of any 	<ul style="list-style-type: none"> Management should ensure that contingency plan is reviewed on a regular basis. Management should ensure that the contingency place clearly 	C		2	

Asset System	Management	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Process Definition Rating	Management and Policy Adequacy	Asset Performance Rating	Management Rating
		<p>incident are not documented.</p> <ul style="list-style-type: none"> ▪ All staffs have access to the key contact details in the event of an emergency. ▪ An updated staff telephone list is maintained to ensure that all staff is contactable in the event of an emergency. ▪ Contingency Plan has not been tested to ensure appropriateness. 	<ul style="list-style-type: none"> ▪ document the responsibility of each key personnel in the event of any incident. ▪ The contingency plan should be tested for operating effectiveness. 				
Financial planning		<ul style="list-style-type: none"> ▪ Gascoyne Water Co-operative maintains a financial plan. However, financial plan has not been reviewed since 2004. ▪ Financial Plan does not state the following: <ul style="list-style-type: none"> (i) financial objectives and strategies; (ii) projection of operating statements and statement of financial position; and (iii) firm predictions on income for the next five years and reasonable indicative predictions beyond the period. ▪ Funding for all project (Upgrade of the Gascoyne Irrigation Pipeline) that Gascoyne Water is committed to perform have been identified and discussed in the 	<ul style="list-style-type: none"> ▪ Management should ensure that financial plan is reviewed on a regular basis. ▪ A more detailed financial plan should be developed which incorporates: <ul style="list-style-type: none"> (i) financial objectives and strategies and actions to achieve objectives; (ii) projections of operating statement and statement of financial position; and (iii) predictions on income. 	C		3	

Asset System	Management	Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Process Definition Rating	Management and Policy Adequacy	Asset Performance Rating	Management Rating
		<p>Business Case for the Upgrade of the Gascoyne Irrigation Pipeline.</p> <ul style="list-style-type: none"> A 12-month budget is maintained. The budget provides for the operations, maintenance, administration and capital expenditures. Actual vs budget expenses are monitored and reported to Board. 					
Capital expenditure planning		<ul style="list-style-type: none"> Gascoyne Water does not have a capital expenditure plan. The only capital work that Gascoyne Water is intending to undertake will be the Upgrade of the Gascoyne Irrigation Pipeline. A Business Case had been developed for the capital project by Science Matters and Kellogg Brown & Root Pty Ltd. The Business Case provides the financial justification, economic evaluation, social and environmental impact for capital expenditure. The Business Case justified the need for the capital expenditure with the current conditions of the assets. 	<ul style="list-style-type: none"> Management should develop a capital expenditure plan. 	D		2	
Review of AMS		<ul style="list-style-type: none"> A review process is not in place. Asset management plan is not reviewed on a regular basis. 	<ul style="list-style-type: none"> Management should have a review process in place. Management should ensure that the Asset Management Plan is 	C		3	

Asset System	Management Systems, Processes and Controls in place at Gascoyne Water for Asset Management	Recommendations	Asset Process Definition Rating Management and Policy Adequacy	Asset Management Performance Rating
		reviewed and updated on a regular basis.		

5

Signature of Auditor

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



Cameron Palassis
Director – Audit and Assurance

Paxon Group
Level 12, 16 St Georges Terrace,
Perth WA 6000

Date: 1 October 2010