



Ord Irrigation Cooperative Pty Ltd

**2023 Operational Audit and Asset Management System Review
Water Services Licence WL37**

Report

**Economic Regulation Authority
August 2023**

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Limitations of this Report

This report was prepared for distribution to the Economic Regulation Authority and Ord Irrigation Cooperative Pty Ltd for the purpose of fulfilling Ord Irrigation Cooperative Pty Ltd's operational audit and asset management system review obligations under its Water Services Licence. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Economic Regulation Authority and Ord Irrigation Cooperative Pty Ltd, or for any purpose other than that for which it was prepared.

Because of the inherent limitations of any internal control environment, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the procedures and controls over the licence obligations of the Water Services Licence, since we do not examine all evidence and every transaction. The audit and review conclusions expressed in this report have been formed on this basis.

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1. Independent Auditor's Report

Scope

Ord Irrigation Cooperative Pty Ltd ('OIC') has a Water Services Licence, issued by the Economic Regulation Authority ('ERA') under the *Water Services Act 2012* ('the Act'), for the provision of non-potable water supply services and irrigation services in the operating area specified in the licence.

OICS is required to comply with the terms and conditions of their license. In this audit period, there were the following versions of the licence:

- Version 6 to 30 April 2020; and
- Version 7 from 1 May 2020 (general changes from Water Licence review in 2020).

We have performed a reasonable assurance engagement on OIC's compliance, in all material respects, with the conditions of WL37 and the *Water Services Act 2012* for the period from the 1 June 2019 to 31 May 2023.

Our evaluation was made against the licence obligations listed in the Water Compliance Reporting Manual 2021 and previous version May 2020; and in accordance with the ERA's 2019 Audit and Review Guidelines: Water Licences (updated August 2022).

The scope of this assurance work relates to assessing OIC's systems and the effectiveness of processes and regulatory controls to ensure compliance with the obligations, standards, outputs and outcomes required by the Licence issued under the Act.

Opinion

In our opinion, based on the procedures performed as outlined in the Audit Plan approved by the Economic Regulation Authority and the evidence we have obtained, Ord Irrigation Cooperative Pty Ltd has complied, in all material respects, with its licence conditions and relevant legislative obligations for the period 1 June 2019 to 31 May 2023.

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 Compliance Engagements (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3100 we have:

- Used our professional judgement to plan our procedures and assess the risks that may cause material non-compliance with each of the compliance requirements to be concluded upon;
- Considered internal controls implemented to meet the compliance requirements; however, we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures

Our procedures consisted primarily of:

- Utilising ERA's 2019 Audit and Review Guidelines: Water Licences ('the Guidelines') to develop a risk assessment;
- Developing an Audit and Review Plan and work program approved by the ERA on 5 July 2023;
- Interviewing relevant OIC staff to gain an understanding of process controls;
- Onsite visit to office in Kununurra and the water treatment and distribution facilities in the Ord River area, and conduct various meetings with stakeholders, including corporate services and works/facilities management personnel, to determine the effectiveness of systems and procedures in place and to compare actual performance against the licence standards. The on-site visit included our Principal Engineer.
- Assessing documents and performing walkthroughs of processes and controls to support the assessment of compliance and the effectiveness of the control environment in accordance with Licence obligations; and
- Performing procedures and testing based on the procedures listed in the approved Audit and Review Plan.

How We Define Reasonable Assurance and Material Non-Compliance

Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material non-compliance with the compliance requirements.

Instances of non-compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of the Licensee's compliance with the compliance requirements.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with the compliance requirements may occur and not be detected.

A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with the compliance requirements will continue in the future.

Use of this Assurance Report

This report has been prepared for Ord Irrigation Cooperative Pty Ltd and the ERA for the purpose of assessing compliance with the requirements of the License and may not be suitable for another purpose.

We understand that a copy of this report will be provided to the ERA for the purpose of reporting on the reasonable assurance engagement for the Licensee. We agree that a copy of this report may be provided to the ERA in connection with this purpose, but only on the basis that we accept no duty, liability or responsibility to the ERA in relation to the report.

We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Licensee and the ERA, or for any other purpose other than that for which it was prepared.

Management's responsibility

Ord Irrigation Cooperative Pty Ltd's management are responsible for:

- The compliance activities undertaken to meet the requirements of the Licence;
- Identifying risks that threaten the compliance requirements identified above being met and identifying, designing and implementing controls to enable the compliance requirements to be met and, monitoring ongoing compliance;
- Ensuring that it has complied in all material respects with the requirements of the Licence;
- Establishing and maintaining an effective system of internal control over its systems designed to achieve its compliance with the Licence requirements;
- Implementing processes for assessing its compliance requirements and for reporting its level of compliance to the ERA; and
- Implementing corrective actions for instances of non-compliance (if any).

Our responsibility


Our responsibility is to perform a reasonable assurance engagement in relation to Ord Irrigation Cooperative Pty Ltd's compliance with its License requirements throughout the period and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Australian Professional and Ethical Standards Board and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

We confirm that the ERA's 2019 Audit and Review Guidelines: Water Licenses have been complied with in the conduct of this audit/review and the preparation of the report, and that the audit findings reflect our professional opinion.

Quantum Assurance



Geoff White CA
Director

7 September 2023

2. Executive Summary

2.1 Background

Ord Irrigation Cooperative Pty Ltd ('OIC') has a Water Services Licence WL37, issued by the Economic Regulation Authority ('ERA') under the *Water Services Act 2012* ('the Act'), for the provision of non-potable water supply services and irrigation services in the operating area specified in the licence. OIC is required to comply with the terms and conditions of their licence.

Under the Act, water services licensees are required to provide a report on an operational audit ('audit') and an effectiveness review of their asset management system ('review') once every 24 months, or another period that has been specified by the ERA. This audit and review covers the period from the previous audit, being 1 June 2019 to 31 May 2023.

The audit and review approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual 2021) and the 2019 Audit and Review Guidelines: Water Licences (updated August 2022).

2.2 Operational Audit

This audit has been conducted to assess the licensee's level of compliance with the conditions of its licence. Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that Ord Irrigation Cooperative Pty Ltd has fully complied with its Water Services Licence obligations during the audit period from 1 June 2019 to 31 May 2023.

Out of 88 applicable compliance obligations, the audit found:

- 19 obligations were rated compliant (16 with adequate controls and 3 compliant with controls not reviewed).
- 69 were not rated for compliance, as no relevant activity took place during the audit period (50 with adequate controls and 19 where controls were not reviewed).

The audit confirmed that Ord Irrigation Cooperative Pty Ltd has complied with its information reporting obligations for the period from 1 June 2019 to 31 May 2023.

The control environment is considered to be effective to manage compliance with the licence conditions. There were no recommendations.

2.3 Asset Management System Review

This review has been conducted to assess the effectiveness of the Licensee's asset management system. As the previous review did not identify any major deficiencies in the asset management system and there have been no major changes to the system, this was a "limited assurance" engagement.

Through the execution of the Review Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained limited assurance that Ord Irrigation Cooperative Pty Ltd has operated the scheme in a reliable manner and provided a good level of service to the customers.

The review found that Ord Irrigation Cooperative Pty Ltd has established an effective asset management system and an adequate control environment for ongoing compliance in respect of the asset management system.

For the review period from 1 June 2019 to 31 May 2023, the non-potable water supply and irrigation services for the Ord River area, under Water Services Licence WL37, are considered to be operated with a professional and comprehensive approach.

Out of 12 components of the asset management system, all were rated as performing effectively.

Out of 58 effectiveness criteria for the asset management system, the review found:

- 57 criteria were rated as performing effectively (53 with adequately defined processes and 4 with processes that require improvement);
- 1 was rated as opportunity for improvement (with processes that require some improvement).

There were no recommendations.

3. Operational Audit

3.1 Introduction

Ord Irrigation Cooperative Pty Ltd ('OIC') is required to comply with the terms and conditions of their licence. In this audit period, there were the following versions of the licence:

- Version 6 to 30 April 2020; and
- Version 7 from 1 May 2020 (general changes from Water Licence review in 2020).

Under the Act, water services' licensees are required to provide reports on an operational audit ('audit') and an effectiveness review of their asset management system ('review') once every 24 months, or another period that has been specified by the ERA.

The ERA engaged Quantum Management Consulting and Assurance ('Quantum Assurance') to complete an audit and review of Ord Irrigation's water supply services, to comply with the licensing requirements of the ERA.

This audit covers the period from the previous audit, being 1 June 2019 to 31 May 2023.

The audit approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual 2021) and the 2019 Audit and Review Guidelines: Water Licences (updated August 2022).

3.2 Objectives and Scope

The objective was to provide the ERA with an independent assessment of the licensee's compliance with relevant obligations under the licence.

The audit applied a risk-based audit approach. The scope of the audit included the adequacy and effectiveness of performance against the requirements of the licence by considering:

- **process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period;
- **output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the ERA; and
- **compliance with any individual licence conditions** - the requirements imposed on the specific licensee by the ERA or specific issues that are advised by the ERA.

When assessing if a licensee has complied with its licence obligations, the auditor must apply a level of scrutiny that corresponds to a 'reasonable assurance engagement'. A reasonable assurance engagement is:

"An assurance engagement in which the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance practitioner's conclusion. The assurance practitioner's conclusion is expressed in a form that conveys the assurance practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria." (ASAE3000)

There were no high priority areas (priority 1, 2 or 3) based on inherent risk as the Licensee does not provide potable water.

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

3.3 Audit Compliance and Controls Rating Scale

The adequacy of controls and compliance with the legislative obligations was assessed using the following ratings.

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
NP	Not performed – controls not assessed in the audit.	NR	Not rated – no activity in current period

3.4 Summary of Audit Ratings of Controls and Compliance

The current audit assessment of the ratings for the adequacy of controls and compliance with the 88 applicable legislative obligations is shown below in the summary table and detailed obligations table in section 3.6.

Summary of Audit Ratings of Control and Compliance

Controls rating	Compliance Rating						
	Rating	1 Compliant	2 Non-compliant (minor impact)	3 Non-compliant (moderate impact)	4 Non-compliant (major impact)	NR Not rated	Total
A - Adequate		16	-	-	-	50	66
B – Generally adequate		-	-	-	-	-	-
C - Inadequate		-	-	-	-	-	-
D – No controls		-	-	-	-	-	-
NP – Not performed		3	-	-	-	19	22
Total		19	-	-	-	69	88

Detailed Audit Ratings of Control and Compliance by Obligation

No. ¹	Brief Description	Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Obligation Not Applicable	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)				
					A	B	C	D	NP	1	2	3	4	NR
Water Services Act 2012														
2	Terms of service	Sec. 21(1)(b)	4		✓					✓				
3	Provision of services	Sec. 21(1)(c)	4		✓					✓				
4	Operating area	Sec. 22	4						✓					✓
5	Outsourcing of services	Sec. 23	4						✓	✓				
6	Asset management system	Sec. 24(1)(a) & 24(2)	4		✓					✓				
7	Changes to asset management system	Sec. 24(1)(b)	4		✓									✓
8	Asset management system review	Sec. 24(1)(c)	4		✓					✓				
9	Operational audit	Sec. 25	4		✓					✓				
10	Code of practice	Sec. 26(3)	4						✓					✓
13	Termination of service	Sec. 36	4		✓					✓				
14	Supplier of last resort	Sec. 60	4						✓					✓
15	Ombudsman scheme	Sec. 70(2)	4		✓					✓				
16	Interruption of water supplies	Sec. 77(3)	4		✓					✓				
17	Notification of building works	Sec. 82(4) & (5)	4						✓					✓
18	Ensuring water service works are done	Sec. 84(2)	4						✓					✓
19	Review of decisions	Sec. 87(2)	4						✓					✓
20	Construction near water service works	Sec. 90(7)	4		✓									✓
22	Fire hydrants for reticulation works	Sec. 96(1)	4		✓									✓
23	Requests from FESA or local government	Sec. 96(5)	4		✓									✓
28	Compliance notice issued by licensee re building works	Sec. 119(2)	4		✓									✓
29	Review of decisions	Sec. 122(2)	4		✓									✓
30	Apportionment of fees between properties	Sec. 125(2)	4		✓									✓
31	Lodging memorial to secure fees owing	Sec. 128(4)	4		✓									✓
32	Notice to property owner - entry	Sec. 129(5)	4		✓									✓
33	Notice to property owner	Sec. 139(3)	4		✓									✓

¹ The number refers to the Obligation reference in the Water Compliance Reporting Manual 2021 and previous versions 2020 and 2018 where applicable.

² Refer Controls and Compliance Rating Scales in Section 3.3.

No. ¹	Brief Description	Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Obligation Not Applicable	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
					A	B	C	D	NP	1	2	3	4	NR	
	– removal of fence														
34	Notice to roads authority	Sec. 141(1)	4		✓										✓
35 36 37 38 39	Proposal for major works	Sec. 142, 143(2) &(3), 144(3), 145(2)	4		✓										✓
40 41	Proposal for general works – Minister notices	Sec. 147(3) & (4)	4		✓										✓
42 43 44 45	Proposal for general works	Sec. 151(1)-(3), 153(3),	4		✓										✓
46 47 48	Interest in land	Sec. 166(5)-(6), 170	4		✓										✓
49 50	Notice of entry to property and authority to enter	Sec. 173(4) & 174 (1)	4		✓										✓
51	Notice of entry after entry without notice	Sec. 174 (3)	4		✓										✓
52 53 54 55 56 57	Notice of entry to property and authority to enter	Sec. 175(2) & (5), 176(1), (3) & (4) 181	4		✓										✓
58 59 60 61	Warrant to enter property	Sec. 186, 187(1) - (3), 190(4) - (5)	4		✓										✓
62	Compliance Officer	Sec. 210(5)	4		✓										✓
63	Minimum disruption	Sec. 218(2)	4		✓										✓
64	Physical damage	Sec. 218(3)	4		✓										✓
Water Services Regulations 2013															
65	Meter testing – multi-unit	Reg. 23(2)	4						✓						✓
66	Meter testing - compliance	Reg. 24(4)	4						✓						✓
67	Meter access - compliance	Reg. 26(3)	4						✓						✓
68	Meter testing – tolerance	Reg. 26(5)	4						✓						✓
69	Lot development	Reg. 29(1)	4						✓						✓
70 71 72	Backflow prevention devices	Reg. 42(2), 43(3), 43(6).	4						✓						✓

No. ¹	Brief Description	Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Obligation Not Applicable	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
					A	B	C	D	NP	1	2	3	4	NR	
74	Work affecting roads	Reg. 60(2)	4		✓										✓
75	Breaks to road surface	Reg. 63	4		✓										✓
89	Compliance notice issued by licensee to include consequences and rights	Reg. 85	4		✓										✓
Licence Conditions – Specific Clauses															
155	Fees to regulator	Cl. 4.2.1	4		✓						✓				
159	Direction from ERA	Cl. 4.1.2	4		✓										✓
160	Compliance with Accounting Standards	Cl. 4.6.1	4		✓						✓				
161	Compliance with performance standards	Cl. 5.2.1	4		✓						✓				
162	Operational audit	Cl. 5.3.4	4		✓						✓				
163	External administration	Cl. 4.7.1(a)-(c)	4		✓										✓
165	Provision of information to the ERA	Cl. 4.8.1	4		✓										✓
166	Compliance reporting to ERA (<i>Applicable to April 2020</i>)	Cl. 3.8.2	4		✓						✓				
167	Performance reporting to ERA	Cl. 4.8.2	4		✓						✓				
168	Publishing information	Cl. 3.8.1 & 3.8.2	4		✓										✓
169	Notices in writing	Cl. 3.7.1	4						✓		✓				
170A	Notify ERA of asset management system (AMS)	Cl. 5.1.1 (a) & (b)	4						✓		✓				
171	Notify ERA of material change to AMS	Cl. 5.1.3	4		✓										✓
172	AMS review	Cl. 5.1.7	4		✓						✓				
172A 172B	ERA direction re condition of service	Cl. 6.1.1-6.1.2	4						✓						✓
175	Customer contract direction by ERA (<i>Applicable to April 2020</i>)	Cl. 5.1.1	4		✓										✓
181	Obligations of supplier of last resort	Cl. 6.3.1	4						✓						✓
182	No services outside operating area	Cl. 4.4.1(b)	4						✓						✓
183	Financial hardship policy guidelines (<i>Applicable to April 2020</i>)	Cl. 5.4.3	4						✓						✓
190	Service and performance standards (if applicable)	Schedule 2	4		✓						✓				

3.5 Status of Previous Audit Recommendations

The previous audit covered the period from 1 April 2019 to 31 March 2021 and was reported in September 2021. Recommendations from the previous audit are listed in the following table together with the current status of action to address the recommendations.

Reference (no./year)	Previously Assessed Non-Compliance/Controls Improvement	Previous Auditor's Recommendation and <i>Action Taken</i>	Date Resolved	Further action required
A. Resolved before end of previous review				
4/2019	<p>Performance Reporting to ERA</p> <p>Rating: B4</p> <p>Obligation 167 – <i>The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the Water, Sewerage and Irrigation Licence Performance Reporting Handbook, and the National Performance Framework that apply to the licensee.</i></p> <p>The Auditor examined OIC's Performance Reports for 2014/15, 2015/16, 2016/17 and 2017/18.</p> <p>The Auditor found no data was provided in respect of OIC's non-potable water supply services.</p>	<p>OIC should provide performance data in respect of the non-potable water supply services which it provides in terms of its Water Services Licence.</p> <p>Status: Completed</p> <p>OIC has included non-potable water supply in the annual Water, Sewerage and Irrigation Licence Performance Reporting Datasheets from the 2018/19 report.</p>	September 2019	No further action required.
B. Resolved during current review period				
1/2019	<p>Compliance Register</p> <p>Rating (obligation): C1 (2), D1 (7, 170 and 171), D/NR (17, 18, 67, 68, 70, 71 and 72)</p> <p><i>Obligations: 2, 7, 17, 18, 67, 68, 70, 71, 72, 170 and 171 – Refer details in Section 3.6.</i></p> <p>The Auditor examined the Compliance Register and found the work sheet entitled: "ERA Licence":</p> <ul style="list-style-type: none"> Refers to obligations in terms WL37, Version 4 and not WL37, Version 6; and 	<p>OIC should update its Compliance Register to ensure it is accurate and complete. Specifically, OIC should:</p> <ul style="list-style-type: none"> Ensure descriptions of obligations ("Licence Conditions") represent the wording of current legislative instruments; and Ensure references are recorded for: <ul style="list-style-type: none"> Sections of the Act; or Regulations in the <i>Water Services Regulations 2013</i>. <p>These references should then be matched with relevant clauses in</p>	July 2020	No further action required.

Reference (no./year)	Previously Assessed Non-Compliance/Controls Improvement	Previous Auditor's Recommendation and <i>Action Taken</i>	Date Resolved	Further action required
	<ul style="list-style-type: none"> Does not record references to the relevant sections of the Act. 	<p>WL37, Version 6 which should also be recorded.</p> <p>Status: Completed</p> <p>The Auditor confirmed the Legal and Compliance Register has been updated.</p>		
2/2019	<p>Compliance Register</p> <p>Rating C1</p> <p><i>Obligation 2 - The licensee must if requested, offer to provide the water service authorised by the licence to any other person (not covered by section 21(1)(a) of the Act) within the operating area of the licence on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable.</i></p> <p>The Auditor examined the Compliance Register and found the work sheet entitled: "Water Services Code of Conduct" refers to obligations in terms of the 2013 Code of Conduct.</p> <p>However, the <i>Water Services Code of Conduct (Customer Service Standards) 2018</i>, in clause 4(2) limits its application to the supply of drinking water and sewerage service. Thus, it is not applicable to the water services OIC is licensed to provide being non-potable water supply services and irrigation services.</p>	<p>OIC should update its Compliance Register to exclude the work sheet entitled: "Water Services Code of Conduct" as this code is not applicable to the non-potable water supply services and irrigation services which OIC is licenced to supply.</p> <p>Status: Completed</p> <p>OIC will continue to leave the Water Services Code of Conduct in the Legal and Compliance Register due to its relevance to the Customer Charter. Instead the OIC will mark as "No longer enforced".</p> <p>The update of the Compliance Register is accepted.</p>	July 2020	No further action required.

Reference (no./year)	Previously Assessed Non-Compliance/Controls Improvement	Previous Auditor's Recommendation and <i>Action Taken</i>	Date Resolved	Further action required
3/2019	<p>Planned Service Interruptions</p> <p>Rating: A3</p> <p>Obligation numbers:</p> <p><i>161 - The licensee must comply with any individual performance standards prescribed by the ERA.</i></p> <p><i>190 - The licensee must comply with the standards set out in Schedule 2 of the licence.</i></p> <p>The following non-compliances with the performance standards were noted:</p> <ul style="list-style-type: none"> • The Auditor examined OIC's Performance Report for 2015/16 which records 84% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37, Version 4; • The Auditor examined OIC's Performance Report for 2016/17 which records 85.3% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37, Version 6; and • The Auditor examined OIC's Performance Report for 2017/188 which records 84.6% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in WL37, Version 6. 	<p>OIC should comply with the performance standard for informing customers of planned service interruptions as stipulated in clause 5.1.3 of schedule 2 of WL37, Version 6.</p> <p>Status: Completed</p> <p>OIC has improved its notice to customers of any planned service interruptions. The OIC's Performance Reports show 76.9% compliance in 2018/19 and 100% compliance in 2019/20, 2020/21 and 2021/21.</p>	July 2019	No further action required.

3.6 Detailed Audit Observations

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
Water Services Act 2012							
2	Section 21(1)(b)	Clause 4.3.1(b)	The licensee must if requested, offer to provide the water service authorised by the licence to any other person (not covered by section 21(1)(a) of the Act) within the operating area of the licence on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, there was one request for a water service in the operating area and this was provided. This obligation is included in the Legal and Compliance Register.	A	1
3	Section 21(1)(c)	Clauses 4.1.1	The licensee must provide, operate and maintain the water service works specified by the ERA in the licence for the purpose of section 11(3).	4	The provision, operation and maintenance of water service works during the audit period are covered in comprehensive detail in the Review section of this Report. The reviewer rated OIC's asset management system across 12 asset management system processes, as referred to in the Review section of this Report. This review concluded that OIC operates all areas of its non-potable water distribution (irrigation) system in a professional and competent manner. The control is the Policy and Procedures Manual - Asset Management Policy section.	A	1

³ The number refers to the item reference in the Water Compliance Reporting Manual 2021, ERA or if applicable, 2020 manual.

⁴ The highest priority areas (priority 1, 2 or 3) based on inherent risk and expected controls/processes are highlighted in **RED**.

⁵ Controls Rating Scale: A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed.

⁶ Compliance Rating Scale: 1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated.

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
4	Section 22	Clause 4.4.1(a)	The licensee must notify the ERA as soon as practicable before commencing to provide the water service outside of the operating area of the licence.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, it did not provide a water service outside of the operating area of the licence.	NP	NR
5	Section 23	Clause 4.5.1	All water service works used by the licensee in the provision of a water service must be held by the licensee or must be covered by a works holding arrangement.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, the water service works used in the provision of water services were covered by a works holding arrangement. The Auditor examined an agreement between Ord Irrigation Asset Mutual Cooperative Limited (OIAMC) and OIC which states: "OIAMC and OIC desire to enter into an agreement whereby OIC manages and maintains OIAMC's irrigation assets, which compromise the Ord Irrigation system...". The Auditor examined an "Ord Irrigation – Asset Management Agreement" entered between the Water Corporation and OIC which provides for OIC to "manage, utilise and operate the Assets" (Water Corporation's assets as referred to in the agreement).	NP	1
6	Sections 24(1)(a) & 24(2)	Clause 5.1.1	The licensee must provide for an asset management system in respect of the licensee's water service works.	4	Refer obligation 3 above.	A	1
7	Section 24(1)(b)	Clause 5.1.2 and 5.1.3 <i>Applicable to Feb. 2021</i>	The licensee must give details of the asset management system and any changes to it to the ERA.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, there were no major changes to the asset management system. This obligation is included in the Legal and Compliance Register.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
8	Section 24(1)(c)	Clause 5.1.4	A licensee must provide the ERA with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the ERA.	4	Quantum Assurance has been appointed by the ERA to complete this Asset Management System Review. The previous report was provided to the ERA. This obligation is included in the Legal and Compliance Register.	A	1
9	Section 25	Clause 5.3.1	A licensee must, not less than once every 24 months, or such longer period as determined by the ERA, provide the ERA with an operational audit conducted by an independent expert appointed by the ERA.	4	Quantum Assurance has been appointed by the ERA to complete this Operational Audit. The previous report was provided to the ERA. This obligation is included in the Legal and Compliance Register.	A	1
10	Section 26(3)	Clause 4.1.1	The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	4	There were no Codes of Practice issued by the Minister in the audit period.	NP	NR
13	Section 36	Clause 4.1.1	If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition and must not remove any part of the works except with the approval of the Minister.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC ceased to provide water services on expiry of membership entitlements thereto. The OIC's General Manager stated such water service works were left in a safe condition, and no part thereof was removed. This obligation is included in the Legal and Compliance Register.	A	1
14	Section 60	Clause 6.3.1	If the licensee is the supplier of last resort for a designated area in relation to the provision of a particular water service, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC was not a supplier of last resort.	NP	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
			operations prescribed.				
15	Section 70(2)	Clause 6.2.1	<p>The licensee must not supply water services to customers unless the licensee:</p> <ul style="list-style-type: none"> • is a member of the water services ombudsman scheme; and • is bound by the scheme; and • will comply with any decision or direction of the water services ombudsman under the scheme. 	4	<p>The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC was a member of the water services ombudsman scheme and did comply with directions of the water services ombudsman under the scheme.</p> <p>This obligation is included in the Legal and Compliance Register.</p>	A	1
16	Section 77(3)	Clause 4.1.1	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	4	<p>The Auditor confirmed by interview of OIC's General Manager that, during the audit period, interruption of water services it was responsible for took place. The OIC's General Manager stated it was standard practice, during the audit period, to immediately attend to interruptions of water services.</p> <p>This obligation is included in the Legal and Compliance Register.</p>	A	1
17	Sections 82(4) & (5)	Clause 4.1.1	If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not receive notification of any building works to be carried out on land in the operating area of its licence.	NP	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
18	Section 84(2)	Clause 4.1.1	If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC was not obligated to give a person 21 days' notice of its intention to commence works.	NP	NR
19	Section 87(2)	Clause 4.1.1	If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	4	The Auditor confirmed by interview of OIC's General Manager that he has no knowledge of any applications made to the State Administrative Tribunal during the audit period.	NP	NR
20	Section 90(7)	Clause 4.1.1	If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not give a compliance notice to a person who was undertaking construction or carrying out similar works in the vicinity of water service works. This obligation is included in the Legal and Compliance Register.	A	NR
21	Section 95(3)	Clause 4.1.1	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	2	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not provide any water services to occupied dwellings. Thus, this obligation was not applicable to OIC's operations during the audit period.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
					This obligation is included in the Legal and Compliance Register.		
22	Section 96(1)	Clause 4.1.1	If the licensee provides water supply reticulation works or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of DFES or the relevant local government as to the location and type of hydrant.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, neither DFES nor a local government required OIC to install fire hydrants. This obligation is included in the Legal and Compliance Register.	A	NR
23	Section 96(5)	Clause 4.1.1	The licensee must comply with requests made by DFES or a local government under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, neither DFES nor a local government made a request of OIC under sections 96(3) and 96(4) of the Act. This obligation is included in the Legal and Compliance Register.	A	NR
28	Section 119(2)	Clause 4.1.1	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not issue any compliance notices. This obligation is included in the Legal and Compliance Register.	A	NR
29	Section 122(2)	Clause 4.1.1	If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	4	The Auditor confirmed by interview of OIC's General Manager that he has no knowledge of any applications made to the State Administrative Tribunal during the audit period. This obligation is included in the Legal and Compliance Register.	A	NR
30	Section	Clause	If the licensee provides a water supply, sewerage or drainage service to 2 or	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
	125(2)	4.1.1	more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> .		provide any water services to occupied dwellings. Thus, this obligation was not applicable to OIC's operations during the audit period. This obligation is included in the Legal and Compliance Register.		
31	Section 128(4)	Clause 4.1.1	If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not lodge withdrawals of memorials with the Registrar. This obligation is included in the Legal and Compliance Register.	A	NR
32	Section 129(5)	Clause 4.1.1	If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	4	The Auditor confirmed by interview of OIC's General Manager that all water service works used in the provision of water services during the audit period, were located on OIC property. Thus, OIC was not under obligation to give 48 hours' notice of proposed entry to occupiers of places. This obligation is included in the Legal and Compliance Register.	A	NR
33	Section 139(3)	Clause 4.1.1	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not remove or erect a fence or gate whilst exercising a works power conferred by the Act. This obligation is included in the Legal and Compliance Register.	A	NR
34	Section 141(1)	Clause 4.1.1	A person authorised by the licensee may enter a road and exercise a works power of the licensee without consent, notice or warrant unless the exercise of the	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not carry out road works. This obligation is included in the Legal and	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
			power involves opening or breaking up the surface of the road, or would cause a major obstruction of the road or disruption of the traffic, in which case the licensee must give at least 48 hours' notice to the public authority that has control or management of the road.		Compliance Register.		
35	Sections 142	Clause 4.1.1	The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works and has given any notice required by section 148.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not undertake any major works as described in the Act. This obligation is included in the Legal and Compliance Register.	A	NR
36	Sections 143 (2)	Clause 4.1.1	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	4	Refer obligation 35 above.	A	NR
37	Sections 143 (3)	Clause 4.1.1	The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	4	Refer obligation 35 above.	A	NR
38	Section 144(3)	Clause 4.1.1	The licensee must have regard to an objection or submission lodged within the relevant period.	4	Refer obligation 35 above.	A	NR
39	Section 145(2)	Clause 4.1.1	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person	4	Refer obligation 35 above.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
			who is likely to be adversely affected by those alterations.				
40	Section 147(3)	Clause 4.1.1	The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	4	Refer obligation 35 above.	A	NR
41	Section 147(4)	Clause 4.1.1	If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	4	Refer obligation 35 above.	A	NR
42	Section 151(1)	Clause 4.1.1	A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not undertake any general works as described in the Act. This obligation is included in the Legal and Compliance Register.	A	NR
43	Section 151(2)	Clause 4.1.1	The licensee must give a notice of general works setting out the matters referred to in section 151(3) to the persons and agencies specified.	4	Refer obligation 42 above.	A	NR
44	Section 152(3)	Clause 4.1.1	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	4	Refer obligation 42 above.	A	NR
45	Section 153(3)	Clause 4.1.1	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person	4	Refer obligation 42 above.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
			who is likely to be adversely affected by those alterations.				
46	Section 166(5)	Clause 4.1.1	On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, the Minister did not advise OIC that an interest in land was appropriate to its needs. This obligation is included in the Legal and Compliance Register.	A	NR
47	Section 166(6)	Clause 4.1.1	Any costs incurred in taking an interest in land are to be paid by the licensee.	4	Refer obligation 46 above.	A	NR
48	Section 170	Clause 4.1.1	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not sell an interest in land. This obligation is included in the Legal and Compliance Register.	A	NR
49	Section 173(4)	Clause 4.1.1	In relation to entry to a place for the purposes of doing works, in the circumstances specified, the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	4	The Auditor confirmed by interview of OIC's General Manager that all water service works used in the provision of water services during the audit period, were located on OIC property. Thus, OIC was not under obligation to give 48 hours' notice of proposed entry to a place to the occupier or owner. This obligation is included in the Legal and Compliance Register.	A	NR
50	Section 174(1)	Clause 4.1.1	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	Refer obligation 49 above.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
51	Section 174(3)	Clause 4.1.1	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4	Refer obligation 49 above.	A	NR
52	Section 175(2)	Clause 4.1.1	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not provide any water services to occupied dwellings. Thus, this obligation was not applicable to OIC's operations during the audit period. This obligation is included in the Legal and Compliance Register.	A	NR
53	Section 175(5)	Clause 4.1.1	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice, which includes the prescribed information, or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	4	Refer obligation 52 above.	A	NR
54	Section 176(1)	Clause 4.1.1	If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.	4	Refer obligation 49 above.	A	NR
55	Section 176(3)	Clause 4.1.1	The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act if they are not able to do so.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC was not asked to produce a certificate of authority. This obligation is included in the Legal and Compliance Register.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
56	Section 176(4)	Clause 4.1.1	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	4	Refer obligation 49 above.	A	NR
57	Section 181	Clause 4.1.1	The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.	4	Refer obligation 49 above.	A	NR
58	Section 186	Clause 4.1.1	If the licensee applies for a warrant, the application must contain the prescribed information.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not apply for a warrant. This obligation is included in the Legal and Compliance Register.	A	NR
59	Sections 187(1) – (3)	Clause 4.1.1	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	4	Refer obligation 58 above.	A	NR
60	Section 190(4)	Clause 4.1.1	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	4	Refer obligation 58 above.	A	NR
61	Section	Clause	On completing the execution of a warrant the licensee must record the	4	Refer obligation 58 above.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
	190(5)	4.1.1	prescribed information on that warrant.				
62	Section 210(5)	Clause 4.1.1	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not designate a person as an inspector or compliance officer. This obligation is included in the Legal and Compliance Register.	A	NR
63	Section 218(2)	Clause 4.1.1	In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	4	The Auditor confirmed by interview of OIC's General Manager that all water service works used in the provision of water services during the audit period, were located on OIC property. Thus, OIC did not enter a place. This obligation is included in the Legal and Compliance Register.	A	NR
64	Section 218(3)	Clause 4.1.1	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good and pay compensation to the extent that it is not practicable to make good the damage.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not cause physical damage in the exercise of a works power or a power of entry. This obligation is included in the Legal and Compliance Register.	A	NR
Water Services Regulations 2013							
65	Regulation 23(2)	Clause 4.1.1	If the licensee provides a water supply service in respect of a multi-unit development, the licensee must, on the request of the owner or the strata company, assess whether a meter is satisfactory for measuring the quantity or flow of water passing through a pipe supplying water to the unit.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not provide a water supply service to any dwellings. Thus, this obligation was not applicable to OIC's operations during the audit period.	NP	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
66	Regulation 24(4)	Clause 4.1.1	If the licensee gives a compliance notice to a person in respect of access to meters, the notice must specify the specified information.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not give any compliance notices in respect of access to meters as meters are located on OIC's land. The Auditor regards application of regulation 24(4) to OIC's operations as a rare event. Thus, specific controls are only expected to be put in place when the stipulations of this clause are applicable.	NP	NR
67	Regulation 26(3)	Clause 4.1.1	If the owner or occupier requests the licensee to test a meter and pays the charge (if any) for testing that type of meter, the licensee must test the meter in accordance with a procedure approved by the CEO for the purpose of this regulation.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not receive any meter test requests and thus did not test meters.	NP	NR
68	Regulation 26(5)	Clause 4.1.1	If a meter test finds that the meter is outside the prescribed tolerance applicable, the licensee must take the specified actions, bear the costs of testing and refund or credit any charges paid under regulation 26(3).	4	Refer obligation 67 above.	NP	NR
69	Regulation 29(1)	Clause 4.1.1	The licensee must, on the written request of a developer who is required to pay the licensee an infrastructure contribution in respect of a subdivided lot, defer the payment of the contribution unless regulations 29(3) or 29(4) applies.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not receive any written requests to defer the payment of infrastructure contributions. The Auditor regards application of regulation 29(1) to OIC's operations will be a rare event. Thus, specific controls are only expected to be put in place when the stipulations of this clause are applicable.	NP	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
70	Regulation 42(2)	Clause 4.1.1	The written order requiring the owner or occupier of land to install a backflow prevention device must set out the date which the device must be installed and tested (which must be at least 7 days after the order is given).	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not issue written orders requiring the owners or occupier of land to install backflow prevention device.	NP	NR
71	Regulation 43(3)	Clause 4.1.1	The compliance notice given by the licensee to the owner or occupier of land must specify that the backflow prevention device be tested or maintained in accordance with the standard and the date by which the testing or maintenance is required to be done (which must be at least 7 days after the day the notice is given to the owner or occupier).	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not issue compliance notices regarding testing or maintaining backflow prevention devices.	NP	NR
72	Regulation 43(6)	Clause 4.1.1	The compliance notice requiring the owner or occupier of land to have their backflow prevention device made good as specified in the notice must include the work that is required to be done, the manner in which the work is to be done and the date by which the work is to be done (which must be at least 7 days after the notice is given)	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not issue compliance notices regarding making backflow prevention devices.	NP	NR
74	Regulation 60(2)	Clause 4.1.1	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not exercise a works power in a road. This obligation is included in the Legal and Compliance Register.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
			time specified in the notice.				
75	Regulation 63	Clause 4.1.1	If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road and must take all reasonable measures to prevent that part of the road from being hazardous.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not open or broke up the surface of a road. This obligation is included in the Legal and Compliance Register.	A	NR
89	Regulation 85	Clause 4.1.1	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not issue any compliance notices. This obligation is included in the Legal and Compliance Register.	A	NR
Other Licence Conditions							
155	<i>Water Services Act</i> Section 12	Clause 4.2.1	The licensee must pay the applicable fees and charges in accordance with the Economic Regulation Authority (Licensing Funding) Regulation 2014.	4	The Auditor examined a sample of tax invoices and payment approvals for ERA annual licence charges across the period 29/11/2019 to 28/11/2022 and confirmed the fees were paid in accordance with the regulation. This obligation is included in the Legal and Compliance Register.	A	1
159	<i>Water Services Act</i> Section 12	Clause 4.1.2	The licensee must comply with a direction from the ERA in relation to a breach of applicable legislation.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC did not receive any direction from the ERA in relation to a breach of applicable legislation. This obligation is included in the Legal and Compliance Register.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
160	<i>Water Services Act</i> Section 12	Clause 4.6.1	The licensee and any related body corporate must maintain accounting records that comply with standards issued by the Australian Accounting Standards Board or equivalent International Accounting Standards.	4	The Auditor sighted the OIC Annual Reports for 2020/21 and 2021/22 which confirmed compliance with accounting standards. This obligation is included in the Legal and Compliance Register.	A	1
161	<i>Water Services Act</i> Section 12	Clause 5.2.1	The licensee must comply with any individual performance standards prescribed by the ERA.	4	The Auditor reviewed OIC's Performance Reports for 2018/19 to 2021/22. There was one non-compliance with performance standards noted: <ul style="list-style-type: none"> 2018/19 – 76.9% of affected customers were provided with 5 business days' notice of planned service interruptions which is lower than the >90% stipulated in the Licence. This was outside the current audit period. OIC has complied with the performance standards in this audit period. This obligation is included in the Legal and Compliance Register.	A	1
162	<i>Water Services Act</i> Section 12	Clause 5.3.4	The licensee must cooperate with the independent expert and comply with the ERA's audit and review guidelines dealing with the operational audit.	4	OIC cooperated with the Auditor during the performance of this operational audit. This obligation is included in the Legal and Compliance Register.	A	1
163	<i>Water Services Act</i> Section 12	Clause 4.7.1(a), (b), (c)	The licensee must report to the ERA, in the manner prescribed, if a licensee is under external administration or there is a change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC was not under external administration, nor did a material change take place in the circumstances upon which the licence was granted which affected its ability to meet its obligations. This obligation is included in the Legal and Compliance Register.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
165	<i>Water Services Act</i> Section 12	Clause 4.8.1	The licensee must provide the ERA specified information relevant to the operation of the licence or the licensing scheme, or the performance of the ERA's function under the Act in the manner and form specified by the ERA.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, the ERA did not request OIC to provide it with any specified information. This obligation is included in the Legal and Compliance Register.	A	NR
166	<i>Water Services Act</i> Section 12	Clause 4.8.2 <i>Applicable to April 2020</i>	The licensee must comply with any information reporting requirements prescribed by the ERA, including but not limited to the provisions of the Water Compliance Reporting Manual that apply to the licensee.	4	OIC's Compliance Reports for 2018/19 to 2021/22 identified the following information reporting non-compliance: <ul style="list-style-type: none"> The OIC did not provide the 2019 compliance report nor the performance report by the due date of 31/8/2019 (provided by 2/9/2019). As all subsequent compliance reports in the audit period were submitted by the due dates, no recommendation is made. This obligation is included in the Legal and Compliance Register. The audit noted that the Compliance Reports continue to report non-compliances identified in the 2015 Operational Audit relating to: <ul style="list-style-type: none"> Not accepting payments by direct debit, Centrepay or telephone; and Not accepting payments in advance. These are obligations under the <i>Water Services Code of Conduct (Customer Service Standards) 2018</i> . As this Code only applies to drinking water supply, they are not applicable to OIC;s licence obligations. <i>An improvement opportunity is to cease reporting these non-compliances in the Compliance Reports to ERA.</i>	A	1

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
167	<i>Water Services Act</i> Section 12	Clause 4.8.2	The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the Water, Sewerage and Irrigation Licence Performance Reporting Handbook, and the National Performance Framework that apply to the licensee.	4	The Auditor reviewed OIC's Performance Reports for 2018/19 to 2021/22. The data included large and small irrigation data and small non-potable data. This obligation is included in the Legal and Compliance Register.	A	1
168	<i>Water Services Act</i> Section 12	Clause 3.8.1 and 3.8.2	Subject to clause 3.8.3, the licensee must publish within the specified timeframe any information that the ERA has directed the licensee to publish under clause 3.8.1.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, the ERA did not direct OIC to publish any information. This obligation is included in the Legal and Compliance Register.	A	NR
169	<i>Water Services Act</i> Section 12	Clause 3.7.1	Unless otherwise specified, all notices must be in writing.	4	The Auditor observed notices were given in writing during the audit period. Numerous examples, as referred to throughout this Audit Report, were sighted to support this statement.	NP	1
170A	<i>Water Services Act</i> Section 12 (Applicable from May 2020)	Clause 5.1.1(a) and (b)	The licensee must notify the ERA of the details of the asset management system within five business days from the later of: a) the commencement date; or b) the completion of construction of the licensee's water service works.	4	The OIC has notified ERA of the asset management system as part of the licence application.	NP	1
171	<i>Water Services Act</i> Section 12	Clause 5.1.3	The licensee must notify the ERA of any material change to the asset management system within 10 business days of the change.	4	This Asset Management System Review confirmed that in this audit period, there have been no material changes to the asset management system. This obligation is included in the Legal and Compliance Register.	A	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
172	<i>Water Services Act</i> Section 12	Clause 5.1.7	The licensee must cooperate with the independent expert and comply with the ERA's audit and review guidelines dealing with the asset management system review.	4	OIC cooperated with the Auditor during the performance of the Asset Management System Review. This obligation is included in the Legal and Compliance Register.	A	1
172A	<i>Water Services Act</i> Section 12	Clause 6.1.1	If the ERA considers that one or more of a licensee's standard terms and conditions of service is no longer in the public interest, the ERA may direct the licensee: a) to amend: i. the standard term or condition of service; or ii. the standard term or condition of service in accordance with a term proposed by the ERA; and b) to do so within a specified period.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, the ERA did not direct OIC to amend a standard contract.	NP	NR
172B	<i>Water Services Act</i> Section 12	Clause 6.1.2	The licensee must comply with a direction given to the licensee under clause 6.1.1.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, there was no direction given to OIC under clause 6.1.1.	NP	NR
175	<i>Water Services Act</i> Section 12	Clause 5.5.1 <i>Applicable to April 2020</i>	If directed by the ERA, the licensee must submit a draft customer contract for approval.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, the ERA did not direct OIC to submit a draft customer contract for approval.	NP	NR
181	<i>Water Services Act</i> Section 12	Clause 6.3.1	If the licensee is appointed as the supplier of last resort for a designated area in relation to the provision of a particular water service, the licensee must perform the functions of a supplier	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, OIC was not a supplier of last resort.	NP	NR

No ³	Legislative Reference	Licence Condition	Description	Audit Priority ⁴	Systems, Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
			of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.				
182	<i>Water Services Act</i> Section 12	Clause 4.4.1(b)	If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the ERA.	4	The Auditor confirmed by interview of OIC's General Manager that, during the audit period, it did not provide a water service outside of the operating area of the licence.	NP	NR
183	<i>Water Services Act</i> Section 12	Clause 5.4.3 <i>Applicable to April 2020</i>	The licensee must comply with the ERA's Financial Hardship Policy Guidelines as they apply to the licensee.	4	The ERA informed OIC on 14/02/2014 that it was exempted from having a Financial Hardship Policy. Thus, this obligation was not applicable to OIC's operations during the audit period	NP	NR
190	<i>Water Services Act</i> Section 12	Schedule 2	The licensee must comply with the standards set out in Schedule 2 of the licence.	4	Refer obligation 161 above.	A	1

3.7 Audit Recommendations

Table of Current Audit Non- Compliances and Recommendations

A. Resolved during current audit period			
Recommendation (no./year)	Non-Compliance/Controls Improvement (Rating/Licence obligation ref. and obligation/Non-compliance or inadequacy of control)	Date Resolved (& management action taken)	Auditor's Comments
	Nil		

B. Unresolved at end of current audit period			
Recommendation (no./year)	Non-Compliance/Controls Improvement (Rating/Licence obligation ref. and obligation/Non-compliance or inadequacy of control)	Auditor's Recommendation	Action taken by the licensee by end of audit period
	Nil		

4. Asset Management System Review

4.1 Description of Infrastructure

Ord Irrigation Cooperative Pty Ltd (OIC) has a Water Services Licence, issued by the Economic Regulation Authority ('ERA') under the Water Services Act 2012 for the provision of non-potable water supply services and irrigation services in the Ord irrigation area near Kununurra in Western Australia.

The Packsaddle Plain irrigation area is upstream from the Diversion Dam. Water is supplied by open channel gravity flow after being lifted from Lake Kununurra at the Packsaddle pumping station. Most farms on the Ivanhoe plain are gravity fed from the M1 Channel (asset owned by Water Corporation) through a series of subsidiary channels and control structures. A section of Ivanhoe is supplied by the pumping station M1P1 which lifts water from the M1 Channel.

A dual cooperative structure has been adopted to own and operate the Ord Irrigation distribution business. As members of the cooperatives (OIC and OAMC), Irrigators can participate in the ownership and management of irrigation infrastructure assets in the Ord irrigation areas. Through their respective Boards, they are able to contribute to policies and operations and receive direct benefits through the provision of water services to members at a cost consistent with economically sustaining the assets of the business.

4.2 Objectives and Scope

The objective of the review was to assess the adequacy and effectiveness of the asset management system in place for the undertaking, maintenance and monitoring of the licensee's assets.

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

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

The review approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual 2021 and previous versions May 2020 and May 2018) and the 2019 Audit and Review Guidelines: Water Licences.

As there were no recommendations in the previous review, this was a limited assurance review that required less detailed analysis and testing than a reasonable assurance review.

The highest priority areas (rated 2) based on inherent risk were:

- Asset planning
- Environmental analysis
- Contingency planning

This review covers the period from the previous review, being 1 June 2019 to 31 May 2023.

4.3 Asset Management Process and Performance Rating Scales

The adequacy of process policy and definition and the performance of the key processes were assessed using the scales described in the tables below. The overall effectiveness rating for each asset management process is based on a combination of the process and policy adequacy rating and the performance rating.

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 require 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 system(s) requires minor improvements (taking into consideration the assets being managed).
C	Requires significant improvement	<ul style="list-style-type: none"> Process and policies are incomplete or require substantial improvement. Processes and policies do not document the required performance of the assets. Processes and policies are considerably out of date. The asset management information system(s) requires substantial improvement (taking into consideration the assets 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 being managed).

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 implemented.
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 implemented.
4	Some 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.

4.4 Summary of Asset Management System Effectiveness Ratings

The review's assessment of the asset management system process and policy definitions and their effectiveness, based on the ratings scale in Section 4.3, is shown in the table below.

Section 4.6 provides further details of the current rating results for each process in the asset management system.

Summary of Asset Management Performance Ratings

Process and Policy Definition – Adequacy Rating	Performance Rating for Effectiveness Criteria				
	Rating	1 Performing effectively	2 Opportunity for improvement	3 Corrective action required	4 Some action required
A -Adequately defined	53	-		-	53
B – Requires some improvement	4	1	-	-	5
C – Requires significant improvement	-	-	-	-	-
D – Inadequate	-	-	-	-	-
Total	57	1	-	-	58

Asset Management System Performance Ratings

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and Policy rating				Performance rating				
	Adequately defined	Requires some improvement	Requires significant improvement	Inadequate	Performing effectively	Opportunity for improvement	Corrective action required	Serious action required	Not Rated
	A	B	C	D	1	2	3	4	NR
1. Asset planning	A				1				
1.1 Asset management plan covers the processes in this table.	✓				✓				
1.2 Planning processes and objectives reflect the needs of all stakeholders and are integrated with business planning.	✓				✓				
1.3 Service levels are defined in the asset management plan.	✓				✓				
1.4 Non-asset options (e.g. demand management) are considered.	✓				✓				
1.5 Lifecycle costs of owning and operating assets are assessed.	✓				✓				
1.6 Funding options are evaluated.	✓				✓				
1.7 Costs are justified and cost drivers identified.	✓				✓				
1.8 Likelihood and consequences of asset failure are predicted.	✓				✓				
1.9 Asset management plan are regularly reviewed and updated.	✓				✓				
2. Asset creation/ acquisition	A				1				
2.1 Full project evaluations are undertaken for new assets, including comparative assessment of non-asset options.	✓				✓				
2.2 Evaluations include all life-cycle costs.	✓				✓				
2.3 Projects reflect sound engineering and business decisions.	✓				✓				
2.4 Commissioning tests are documented and completed.	✓				✓				
2.5 Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	✓				✓				
3. Asset disposal	A				1				
3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process.	✓				✓				

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and Policy rating				Performance rating				
	Adequately defined	Requires some improvement	Requires significant improvement	Inadequate	Performing effectively	Opportunity for improvement	Corrective action required	Serious action required	Not Rated
	A	B	C	D	1	2	3	4	NR
3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	✓				✓				
3.3 Disposal alternatives are evaluated.	✓				✓				
3.4 There is a replacement strategy for assets.	✓				✓				
4. Environmental analysis	A				1				
4.1 Opportunities and threats in the asset management system environment are assessed.	✓				✓				
4.2 Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	✓				✓				
4.3 Compliance with statutory and regulatory requirements.	✓				✓				
4.4 Service standard (customer service levels, etc.) are measured and achieved.	✓				✓				
5. Asset operations	A				1				
5.1 Operational policies and procedures are documented and linked to service levels required.	✓				✓				
5.2 Risk management is applied to prioritise operations tasks.	✓				✓				
5.3 Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition.		✓			✓				
5.4 Accounting data is documented for assets.	✓				✓				
5.5 Operational costs are measured and monitored.	✓				✓				
5.6 Staff resources are adequate and staff receive training commensurate with their responsibilities.		✓			✓				

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and Policy rating				Performance rating				
	Adequately defined	Requires some improvement	Requires significant improvement	Inadequate	Performing effectively	Opportunity for improvement	Corrective action required	Serious action required	Not Rated
	A	B	C	D	1	2	3	4	NR
6. Asset maintenance	A				1				
6.1 Maintenance policies and procedures are documented and linked to service levels required.		✓			✓				
6.2 Regular inspections are undertaken of asset performance and condition.		✓				✓			
6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.		✓			✓				
6.4 Failures are analysed and operational/maintenance plans adjusted where necessary.	✓				✓				
6.5 Risk management is applied to prioritise maintenance tasks.	✓				✓				
6.6 Maintenance costs are measured and monitored.	✓				✓				
7. Asset Management Information System	A				1				
7.1 Adequate system documentation for users and IT operators.	✓				✓				
7.2 Input controls include suitable verification and validation of data entered into the system.	✓				✓				
7.3 Security access controls appear adequate, such as passwords.	✓				✓				
7.4 Physical security access controls appear adequate.	✓				✓				
7.5 Data backup procedures appear adequate and backups are tested.	✓				✓				
7.6 Computations for licensee performance reporting are accurate.	✓				✓				
7.7 Management reports appear adequate for the licensee to monitor licence obligations.	✓				✓				
7.8 Adequate measures to protect asset management data from unauthorised access or theft by persons outside the organisation.	✓				✓				

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and Policy rating				Performance rating				
	Adequately defined	Requires some improvement	Requires significant improvement	Inadequate	Performing effectively	Opportunity for improvement	Corrective action required	Serious action required	Not Rated
	A	B	C	D	1	2	3	4	NR
8. Risk management									
8.1 Risk management policies and procedures exist and are applied to minimise internal and external risks	✓				✓				
8.2 Risks are documented in a risk register and treatment plans are actioned and monitored.	✓				✓				
8.3 The probability and consequences of asset failure are regularly assessed.	✓				✓				
9. Contingency planning	A				1				
9.1 Contingency plans are documented, understood and implemented to confirm their operability and to cover higher risks.	✓				✓				
10. Financial planning	A				1				
10.1 The financial plan states the financial objectives and identifies strategies and actions to achieve those.	✓				✓				
10.2 The financial plan identifies the source of funds for capital expenditure and recurrent costs.	✓				✓				
10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	✓				✓				
10.4 The financial plan provides firm predictions on income for the next five years and reasonable predictions beyond this period.	✓				✓				
10.5 The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	✓				✓				
10.6 Large variances in actual/budget income and expenses are identified and corrective action taken where necessary.	✓				✓				
11. Capital expenditure planning	A				1				
11.1 There is a capital expenditure plan covering works to be undertaken, actions proposed, responsibilities and dates.	✓				✓				
11.2 The capital expenditure plan provides reasons for capital expenditure and timing of expenditure.	✓				✓				

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and Policy rating				Performance rating				
	Adequately defined	Requires some improvement	Requires significant improvement	Inadequate	Performing effectively	Opportunity for improvement	Corrective action required	Serious action required	Not Rated
	A	B	C	D	1	2	3	4	NR
11.3 The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	✓				✓				
11.4 There is an adequate process to ensure that the capital expenditure plan is regularly updated and implemented.	✓				✓				
12. Review of asset management system	A				1				
12.1 A review process is in place to ensure that the asset management plan and the asset management system described in it remain current.	✓				✓				
12.2 Independent reviews (e.g. internal audit) are performed of the asset management system.	✓				✓				

4.5 Status of Previous Review Recommendations

The previous review covered the period from 1 June 2015 to 31 May 2019 and was reported in September 2019. There were no recommendations.

Reference (no./year)	Previously Assessed Process and Policy Deficiency (Asset management Process, Rating, Details)	Previous Auditor's Recommendation and <i>Action Taken</i>	Date Resolved	Further action required
A. Resolved before end of previous review				
	Nil			
B. Resolved during current review period				
	Nil			

4.6 Detailed Review Observations

The review period is from 1 June 2021 to 31 May 2023⁷.

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
1		ASSET PLANNING		A	1
1.1	2	Asset management plan covers the processes in this table.	<p>OIC's prime document is its "Policies, Plans and Procedures Manual" ('PPP Manual'). The PPP Manual provides a brief history of the Ord Irrigation Scheme and its development – including the formation of OIC which operates and manages the system on behalf of the Ord Asset Mutual Cooperative (OAMC) which owns the irrigation assets on behalf of its members.</p> <p>OIC's approach to the management and operation of its assets is detailed in various sections of the PPP Manual, which incorporates OIC specific policies and procedures associated with:</p> <ul style="list-style-type: none"> • Human Resources, Occupational Health and Safety, and Administration; and • Management of Assets topics including: <ul style="list-style-type: none"> ○ Planning, Acquisition and Disposal; ○ Environmental Analysis, Operation and Maintenance; ○ Risk Assessment, Contingency and Disaster Recovery; ○ Finance and Capital Expenditure; and • Review of the asset management system and implementation of relevant amendments/ improvements. • Section 9.4 of the PPP Manual contains a general description of the scheme together with a summary of its major elements and supporting asset types; • Operational constraints and opportunities are broadly outlined, together with comment on asset condition and constraints; 	A	1

⁷ Note: As per the Audit and Review Guidelines, recommendations are included for criteria rated as process C or D and/or effectiveness of 3 or 4 in the following table. Recommendations for improvements at higher ratings are no longer required to be reported.

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			<ul style="list-style-type: none"> Assets requiring attention are listed - as are issues requiring resolution with the Water Corporation, Department of Water and the Local Authority; <p>The Asset Management Plan (AMP) (contained within the PPP Manual) is further supported by separate detailed documents including an Operations Manual, Design Manual, Waterman's Manual and Customer Charter.</p>		
1.2	4	Planning processes and objectives reflect the needs of all stakeholders and are integrated with business planning.	<p>The AMP (contained within the PPP Manual) includes the planning process and the needs of the stakeholders (Members and OAMC) and is integrated with OIC's business planning.</p> <p>Section 9.2 of the AMP notes that Water Corporation, Department of Water, Department of Agriculture and Food, Ord Land and Water and OIC are jointly responsible for catchment management and water levels in the irrigation area, and relationships with these organisations are ongoing. Other stakeholders include other shareholders, non-member water users, special agreements customers, local government, regional authorities, special interest groups, politicians, state government departments, related businesses, media and other groups who have similar interests in irrigation, Australia wide.</p>	A	1
1.3	4	Service levels are defined in the asset management plan.	<p>Service levels, water quality etc. are clearly defined in both the PPP Manual (AMP) and the Customer Service Charter. The OIC Customer Service Charter outlines the responsibilities of both OIC and the customer in areas of:</p> <ul style="list-style-type: none"> conditions of connection service standards and customer rights Cooperative powers customer obligations communication procedures contact information. complaints resolution. 	A	1
1.4	4	Non-asset options (e.g., demand management) are considered.	<p>Section 9.2 of the AMP notes that the OIC manages an area that is essentially fixed and fully developed.</p> <p>Ord Irrigation may be able to provide services such as administration, operations and maintenance to other irrigation areas such as Ord Irrigation</p>	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			Stage 2 that is currently in development and the proposed horticultural areas on the Lower Ord River. Optimisation of the operation of OIC may be limited at times by the operating requirements of other water users, including power generation and tourism. Water demand is monitored daily and adjustments made to supply if necessary.		
1.5	4	Lifecycle costs of owning and operating assets are assessed.	The annual budget and the monthly Financial Statements provided to the OIC Board include review of the actual income and expenditure, including lifecycle costs of assets and key performance indicators	A	1
1.6	4	Funding options are evaluated.	OIC has a loan facility with the OIAMC under contract and an overdraft facility with a Bank. Funding options are evaluated for any new capital projects.	A	1
1.7	4	Costs are justified and cost drivers identified.	Costs are monitored and justified in the monthly Financial Statements provided to the OIC Board, including review of cost drivers such as water demand and seasonal changes.	A	1
1.8	4	Likelihood and consequences of asset failure are predicted.	<p>OIC's AMP states that OIC manages risk through:</p> <ul style="list-style-type: none"> • identification of risk. • assessment of risk. • determination and implementation of control measures to eliminate or reduce the risk. • monitoring and reviewing the effectiveness of control measures. <p>OIC has a detailed risk assessment which outlines the key business risks for the organisation. The key business risks include:</p> <ul style="list-style-type: none"> • risks to OIC resulting from changes in the external environment. • risk from failure of system assets. • risk from Irrigation Operating practices or on farm practices. 	A	1
1.9	4	Asset management plan is regularly reviewed and updated.	The AMP is regularly reviewed. The latest review and update was in August 2022.	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
2		ASSET CREATION / ACQUISITION		A	1
2.1	4	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset options.	<p>The AMP defines an asset as a non-fixed item with a value exceeding \$1,000 and a remaining life of at least two years. Staff with authority to make purchases must consult with OIC's General Manager prior to placing orders or purchasing an asset and must ensure the acquisition represents value for money.</p> <p>OAMC owns all the assets with the exception of buildings, office furniture and equipment, motor vehicles and the SCADA system equipment – which is owned by OIC. Acquisition of assets exceeding \$25,000 in value must be submitted to and be approved by the relevant Board.</p> <p>Irrespective of which Cooperative will acquire an asset, the OIC General Manager has authority and is responsible to the Board for making all acquisitions. In practice, the Board receives monthly reports in which purchases of less than \$25,000 value are advised and their expenditure reported against the overall budget.</p> <p>During the review period, there were no major asset acquisitions.</p>	A	1
2.2	4	Evaluations include all life-cycle costs.	For purchases exceeding \$25,000, a business case must be prepared and presented to the OIC Board for approval. The business case must consider the reason for the acquisition and the options available, together with their suitability, availability, initial and on-going costs of operation, insurance etc.	A	1
2.3	4	Projects reflect sound engineering and business decisions.	For purchases exceeding \$25,000, a business case must be prepared and presented to the OIC Board for approval. The business case must consider the reason for the acquisition and the options available, together with their suitability, availability, initial and on-going costs of operation, insurance etc. Other considerations include (as appropriate), delivery period, availability of spare parts, local manufacture or representation, compatibility with existing assets.	A	1
2.4	4	Commissioning tests are	The OIC's General Manager confirmed that commissioning tests are documented and completed for any new assets including replacement of	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
		documented and completed.	assets.		
2.5	4	Ongoing legal/environmental /safety obligations of the asset owner are assigned and understood.	<p>The AMP includes the ongoing legal, environmental and safety obligations and the assigned responsibility/ The Reviewer noted that OIC holds the following ISO certifications:</p> <ul style="list-style-type: none"> • ISO 9001: 2015 QUALITY MANAGEMENT SYSTEMS • ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEMS • ISO 45001:2018 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS • ISO 55001:2014 ASSET MANAGEMENT SYSTEMS. <p>A recertification audit was completed in September 2022. The report advised there were no issues and the certification was renewed.</p>	A	1
3		ASSET DISPOSAL		A	1
3.1	4	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>OIC's AMP states that fixed assets may be disposed of when they are:</p> <ul style="list-style-type: none"> • No longer required; • Not needed in the foreseeable future; • Not complying with Occupational Health and Safety standards; and/or • Beyond repair but able to be sold for scrap. <p>The Reviewer's site visit confirmed that the performance of assets is monitored weekly and adjustments made as required.</p>	A	1
3.2	4	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	The disposal of assets for greater than a return of \$1,000 must be approved by the relevant Board, including the reasons for disposal. Assets disposed of must be written down in value and the disposal date and financial yield added to the asset register.	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
3.3	4	Disposal alternatives are evaluated.	Disposal proposals submitted to the Board for approval address the options for replacement of assets - which may include process amendments making an asset redundant, simple replacement of an asset underperforming or beyond repair. Similarly, the method of disposal is considered i.e. the cheapest option may introduce other non- monetary costs e.g. disposal to land fill may introduce environmental or public health or safety issues; and During the review period no major assets were disposed of.	A	1
3.4	4	There is a replacement strategy for assets.	The annual Budget provided to the OIC Board for approval includes a strategy for the replacement of assets reaching the end of their useful life or not performing to expectations. The Reviewer confirmed this during discussions with the General Manager OIC and the site visit.	A	1
4		ENVIRONMENTAL ANALYSIS		A	1
4.1	2	Opportunities and threats in the system environment are assessed.	Threats and Opportunities are listed in Table 4 of the Asset Management Plan.	A	1
4.2	4	Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved.	The monthly Board Report includes a range of KPIs which are reported. Related to performance are KPIs such as: Supply efficiency (a measure of operational performance in water supplied and water taken by customers) and relief/wasteway water (a measure of excess water lost by overflowing the system or draining the supply for operational reasons).	A	1
4.3	4	Compliance with statutory and regulatory requirements.	Section 12.4 of the Policy and Procedures Manual discussing Legal and Other Requirements – this refers to the HSE Legal and Other Requirements Register (which was not sighted during the review). The main requirements are the DWER Surface Water Licence and the ERA Water Services Licence. Copies of compliance reports issued directly to the ERA were	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			<p>provided for review.</p> <p><i>An Improvement is to maintain a Compliance Calendar which could be linked to the obligations in the Legal and Compliance Register.</i></p>		
4.4	4	Service standards (customer service levels, etc.) are measured and achieved.	<p>The Customer Service Charter section 3 outlines service standards and customer rights. The service standards include what customers can expect in terms of Water Ordering, Water Delivery, Disruption to Supply and Weed Control.</p> <p>The monthly Board Report includes a range of KPIs which are reported. Related to these service standards are Customer Complaints, non-conformances, measures tracking the volume of water measured and billed to customers and measures of channel operating efficiency, a KPI tracking shutdown notice and a weed treatment KPI.</p> <p><i>An improvement to tracking of the key service standards (water ordered vs delivered) is suggested for consideration.</i></p>	A	1
5		ASSET OPERATIONS		A	1
5.1	4	Operational policies and procedures are documented and linked to service levels required.	<p>Operations policies and procedures are documented in section 10 of the PPP Manual and address a range of business and asset operations. This includes policies and procedures that support day to day operations such as powers of entry and communication with stakeholders and service level related aspects such as system shutdown and supply in years of reduced water allocation.</p> <p>The Operations Manual (latest revision March 2022) is the document which outlines the operation of the irrigation assets for the water operations staff. The main target audience for this manual are new water operations staff (referred to as Waterman). The document is a comprehensive resource providing information on the assets (e.g. channels, dethridge wheels, gate operations, SCADA system and pump stations), the customer water ordering system, the tools and processes to schedule and manage delivery of the requested water, and processes for recording water delivered (for billing purposes).</p> <p>The system operation is reasonably complex given changing water demands over weeks and seasons, and the slow response of operational changes due</p>	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			<p>to the volume of water in the channels. Prime objectives are to ensure customer requests for water are met, but at the same time minimising oversupply which ends up as lost water delivered to drains.</p> <p>Many sites require manual operation as remote operational control has not been installed throughout the network. Operators need to drive between sites to fine tune operational settings and be confident in leaving the system to operate smoothly overnight. The Operations Manual provides frequently asked questions and tips and tricks which are evidence of the approach to documenting more complex operations and risks for the benefit of other operators.</p>		
5.2	4	Risk management is applied to prioritise operations tasks.	<p>The general approach of the Operations Manual is about delivering customer water demands and preventing oversupply of water (which is lost through drainage) or undersupply (resulting in customers not achieving the ordered demand). The operating tasks are all about setting and checking to ensure the demand is supplied with as little wastage as possible.</p> <p>A specific example of prioritising operations tasks based on risk is management of the M1 channel during the wet season that is discussed in 13.3 of the Operations Manual. The value of infrastructure damage from past wet season events is discussed and new operating procedures are discussed for minimising infrastructure damage.</p> <p>A daily meeting of Operations staff is also part of the process to capture feedback on field observations that may impact delivery of customer requirements requiring an operations and/or maintenance response.</p>	A	1
5.3	4	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>The OIC staff indicated changes to the systems they use for their Asset Register had occurred during the review period. The changes were made to provide an Asset Register that provided the best support to the business and also reflected the skill set of the staff who use and maintain the Asset Register.</p> <p>A demonstration was provided of the current Asset Register system (Fulcrum). The demonstration was provided by a mobile phone app that provides a map view of the assets with information fields available for each asset. The app allows photos to be taken and attached to the asset, which is</p>	B	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			<p>a feature that can be used to record visual asset condition (which is appropriate for most irrigation channel assets). The data was also exported to view with Google Earth and an export of the information fields into Excel was also provided.</p> <p>Whilst the map view appeared to show good coverage of the assets, it was described that upload of information from previous asset register sources was still occurring. It was noted that the pump stations and SCADA assets were not included, no asset condition rating has been included and no asset life or asset values are included.</p> <p>A separate spreadsheet called "State of Assets" (dated 2022) was also provided which appears to contain a listing of all asset types (including pump stations and communications) based on a previous asset register system. Asset condition had been assigned to each asset with a condition assessed as either New/Refurbished, Good, Adequate, Poor or Just Serviceable.</p> <p>During the site visit, a range of the assets were inspected including the major Packsaddle Pump Station, control structures, drains, irrigation channels and farm offtakes. Channel and drainage maintenance work were discussed together with operating challenges including the annual asset impacts resulting from the wet season.</p> <p>The assets appear to be in good condition and the staff were extremely knowledgeable about the infrastructure, its condition and asset improvement plans (such as increasing the coverage for remote operation).</p> <p>The current performance in maintaining good knowledge of the assets is rated highly, but this is quite dependant on the knowledge of the current staff.</p> <p><i>An improvement is to ensure that completion of the Asset Register occurs with a focus on ensuring all assets are captured, asset condition assessment is recorded and an approach to identifying the remaining asset life and asset replacement is developed.</i></p>		
5.4	4	Accounting data is documented for assets.	Accounting data for assets is recorded in the financial management system and reported to the Board in a monthly report. A financial asset register is maintained to record cost and depreciation expense.	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
5.5	4	Operational costs are measured and monitored.	Operational costs are monitored and justified in the monthly Financial Statements provided to the OIC Board, including review of cost drivers such as water demand and seasonal changes.	A	1
5.6	4	Staff resources are adequate and staff receive training commensurate with their responsibilities.	<p>The organisation chart provided indicates a the OIC has twelve operating positions including the General Manager, and currently 3 of these positions are vacant. The vacant positions are a SCADA technician, a Diesel Mechanic and the Environmental and Weed Officer (currently shown as being undertaken by the same person undertaking the Operations Manager role).</p> <p>A staff training matrix was provided but requires updating as it currently shows many of the required training requirements have expired.</p> <p><i>Given the previous audit also found the Asset Register was in need of further work, resourcing should be prioritised to complete this, with some additional support for the current Operations staff.</i></p>	B	1
6		ASSET MAINTENANCE		A	1
6.1	4	Maintenance policies and procedures are documented and linked to service levels required.	<p>Section 19 of the Operations Manual describes the channel and drain bank maintenance works and weed maintenance activities that need to be undertaken.</p> <p>During the site visit the assets appeared to be in good condition and maintenance of channel infrastructure was occurring. Discussions showed there were plans in place for the next areas of channels and drains to be maintained. The annual achievement of the maintenance plan was always subject to the latest priorities which arise from impact of the previous wet season and the latest condition observations.</p> <p>The maintenance plan is essentially contained in the rolling 3 to 5 year budget, which aims to cover all of the channel infrastructure in that timeframe. A copy of the budget was provided showing the annual allocation of funding for activities such as weed control, channel maintenance, track maintenance, drainage grading, desilting and structure maintenance.</p> <p>Prioritising which parts of the irrigation area require maintenance in the current year appears to be managed by staff in the knowledge of what areas</p>	B	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			<p>were maintained in previous years and what the current condition is. For the purpose of creating records in the case of staff change, it is recommended the developed asset register become the place to record when maintenance was last undertaken. This may be best provided in a plan format.</p> <p>The maintenance of the Packsaddle pumps station also appears in the budget, with the maintenance schedule listed in Table 10 of the AMP.</p> <p><i>An improvement is to document the rolling program of planned maintenance for channel/drain assets to support understanding of the budget. Given the need to adapt the Maintenance Plan each year based on wet season impacts, the actual maintenance achieved should be updated against the Plan.</i></p>		
6.2	4	Regular inspections are undertaken of asset performance and condition.	<p>Condition assessments occur by way of visual inspection and the daily Operations meeting is a key part of identifying any new issues. Condition assessment for the irrigation and drainage system has been completed in the past using the classification of either New/Refurbished, Good, Adequate, Poor or Just Serviceable.</p> <p>Table 6 of the AMP indicates the frequency for condition assessments of pump stations and supply channels – evidence of these assessments were not sighted during the review.</p> <p>As discussed at 5.3 above, the current Asset Register (in development) does not include the asset condition information, and this needs to be incorporated.</p> <p><i>The approach to assessing asset condition for mechanical and electrical assets needs to be documented, including the required frequency for assessment.</i></p>	B	2
6.3	4	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>Maintenance is planned and completed. However, documentation of the plans and actual achievement is required to underpin the annual budget and provide a history in the case of staff turnover.</p> <p>Planned maintenance intervals rather than specific times are appropriate for this infrastructure given the annual “wet season” impacts on erosion and silting in channels and drains and damage to structures, which requiring maintenance and repair times to be prioritised.</p>	B	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
6.4	4	Failures are analysed and operational/maintenance plans adjusted where necessary.	<p>The daily meeting with Operators involves decision making on the adjustment of operations and maintenance plans around observations.</p> <p>The Operations Manual provides evidence of learnings from significant past failure events (cyclone activity) in the way the irrigation is prepared for future major weather events to minimise damage.</p> <p>The Maintenance Plan is adjusted annually for corrective works once the impact of the wet season has been assessed.</p>	A	1
6.5	4	Risk management is applied to prioritise maintenance tasks.	The risk of channel overflows/reduced capacity is central to decisions on weed management and desilting – which would otherwise impact ability to provide customer water demands. Similarly, drain function is monitored and clearing works prioritised to ensure restricted drains do not cause flooding.	A	1
6.6	4	Maintenance costs are measured and monitored.	Maintenance costs are monitored and justified in the monthly Financial Statements provided to the OIC Board, including review of cost drivers such as water demand and seasonal changes.	A	1
7		ASSET MANAGEMENT INFORMATION SYSTEM		A	1
7.1	4	Adequate system documentation for users and IT operators.	OIC manages its information system via a series of specialist software suites and Microsoft 365. Procedures are documented for the main systems. For example, operations, maintenance billing procedures.	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
7.2	4	Input controls include suitable verification and validation of data entered into the system.	Data accuracy is controlled by edit checks of data fields in the key system and checks by the user when entering manually completed work order requests and updates. Considered adequate.	A	1
7.3	4	Logical security access controls appear adequate, such as passwords.	Access to the software systems is password controlled and available only as related to the users' duties /responsibility.	A	1
7.4	4	Physical security access controls appear adequate.	The system servers are kept in a permanently locked and air-conditioned room in the OIC offices. Access to the room is limited to the General Manager and Office Manager.	A	1
7.5	4	Data backup procedures appear adequate and backups are tested.	Back-ups are recorded on disk daily and kept offsite by a senior staff member overnight and weekends.	A	1
7.6	4	Key computations related to licensee performance reporting are materially accurate.	From review of source data for the performance reporting, the calculations are considered to be accurate.	A	1
7.7	4	Management reports appear adequate for the licensee to monitor licence obligations.	The review confirmed that reports to management and the Board provide adequate information and data, regarding compliance obligations and financial performance. .	A	1
7.8	4	Adequate measures to protect asset management data from unauthorised access or theft by persons outside the organisation.	Access to all systems have restricted user access and require passwords that are regularly changed.	A	1
8		RISK MANAGEMENT		A	1
8.1	4	Risk management policies and procedures exist and are being applied to minimise internal and external risks.	OIC requires that assessment of risk is undertaken where relevant in all areas of its business activities. During discussion, the Reviewer noted risk application in aspects of operations and maintenance, assessment of acquisition and disposal options, change management and information technology.	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			<p>OIC adopts a standard risk matrix, which compares the likelihood of five events occurring against five consequences of such an event. Risk values of low, moderate, high and extreme are determined from the values indicted in the relevant cells of the twenty-five-cell matrix.</p> <p>Risk assessment tables for all identified risk events have been developed - with columns listing event cause, responsibility, consequence level and initial risk level are determined from the risk matrix. Major control measures to mitigate the initial risk are identified and adopted. The consequent (residential) risk is determined on the expected mitigation provided by the proposed controls adopted.</p> <p>The AMP contains a Business Risks assessment table in which the risks of twenty-nine identified events are assessed. The key risks have been identified as change of the environment (physical and legislative), asset failure and irrigation or farm operating practises.</p>		
8.2	4	Risks are documented in a risk register and treatment plans are implemented.	<p>Twenty-seven events are considered in the Health & Safety and Environmental Risks Assessment table – in which the key risks are identified as operation and maintenance of Dethridge Wheels, operation of machinery and operation of vehicles.</p> <p>The top five risks associated with Information Technology are identified as non-compliance with privacy, legislation and regulatory commitments, poor power supply resulting in damage to electronics and down time, inefficient and in-appropriate IT infrastructure or delivery of water, lightning damage, Cyber, malware, ransom ware or other virus related attack; and The policy and process application of risk across the activities of OIC’s business is considered appropriate and thorough.</p>	A	1
8.3	4	The probability and consequences of asset failure are regularly assessed.	<p>OIC manages risk through:</p> <ul style="list-style-type: none"> • identification of risk • assessment of risk • determination and implementation of control measures to eliminate or reduce the risks 	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			<ul style="list-style-type: none"> monitoring and reviewing the effectiveness of control measures. <p>OIC has a detailed risk assessment which outlines the key business risks for the organisation. The key business risks include:</p> <ul style="list-style-type: none"> risks to OIC resulting from changes in the external environment risk from failure of system assets risk from Irrigation Operating practices or on farm practices. 		
9		CONTINGENCY PLANNING		A	1
9.1	2	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>OIC/OIAMC Contingency Planning is addressed in Section 11.3 of the PPP Manual as “Disaster Recovery Plan”. The plan addresses two basic scenarios i.e.:</p> <ul style="list-style-type: none"> Case (a) - where damage does not limit the ability of growers to operate; and Case (b) – severe events where the damage is so severe that growers cannot operate. <p>As storm damage varies significantly, insurance is not available for recovery works. OIC/OIAMC has therefore set up separate investment funds to provide self-insurance for both cases;</p> <p>The PPP identifies nine damage scenarios that may occur including failure of power, channels and drains and damage to major structures.</p> <p>In order to estimate the magnitude of the required funds, the likely repair costs are estimated in each case – based on a repair period of eight weeks and known rates for construction, machine hire, replacement equipment and professional fees.</p> <p>The fund allocations are considered appropriate for both cases in which:</p> <ul style="list-style-type: none"> The allocation for case (a) to be available if funds in the annual maintenance and renewals program are insufficient; and The Contingency fund for case (b) to be made available following agreement at a joint meeting of both Boards. <p>Investigation of annual repair cost over a five years period, (including damage</p>	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			<p>from events of 1 in 100, 1 in 20 and 1 in 5 years, plus two years in which damage is repaired from the maintenance and renewals program) indicates that the contingency fund would be reduced by approximately one third.</p> <p>Withdrawals from both funds must be restored as quickly as possible in a manner recommended and agreed to by the Board;</p> <p>The Reviewer was advised that to date, no withdrawals have been made from the Contingency fund.</p> <p>OIC considers the normal requirement to undertake a broad range of maintenance and repair - particularly following the wet season, negates the need to undertake desktop tests of the procedures.</p> <p>A full list of contractors, trades and suppliers and contact details is provided in the PPP Manual. A list of authorities that may need to be advised, depending on the circumstances, together with contact details is included as "Emergency Contact Information" in Section 13.7 of the PPP Manual.</p> <p>The Reviewer considers OIC's contingency plan is practical and appropriate. There is an annual test of the Plan at the end of the wet season.</p>		
10		FINANCIAL PLANNING		A	1
10.1	4	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	<p>OIC and OACM have financial plans spanning the twenty years period from 2016/17 to 2036/37. The plans are reviewed as required by any changes. These plans represent OIC's best assessment of likely future income and expenditure.</p> <p>Annual budgets are prepared for approval of the relevant Board. Both Boards are provided with monthly details of expenditure and variations from the monthly budget, year to date and comparisons with those of the previous year.</p>	A	1
10.2	4	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The plan includes funding from the Members' asset contribution and the Shire drainage contribution to cover ongoing capital expenditure and recurrent costs.	A	1
10.3	4	The financial plan provides projections of operating statements (profit and loss) and	The plan is very detailed and provide estimates of profit and loss over the twenty or so years of the plan. Only the immediate ten years of the plans are considered for planning purposes.	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
		statement of financial position (balance sheets).			
10.4	4	The financial plan provides firm predictions on income for the next five years and reasonable predictions beyond this period.	The plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	A	1
10.5	4	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	A	1
10.6	4	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	The annual budget and the monthly Financial Statements provided to the OIC Board include review of the actual income and expenditure, including variances to budget and any corrective action required.	A	1
11		CAPITAL EXPENDITURE PLANNING		A	1
11.1	4	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	Maintenance and repair works undertaken generally result in restoration of the condition or capacity of assets - effectively extending their operating life, and negating end of life replacement. OIC's consultants have developed (within ARC GIS) a program for monitoring and recording asset condition, together with a priority schedule of replacement, maintenance and cost estimates. Reviewer's impression is that data entry and implementation of the program is a year or more distant.	A	1
11.2	4	The plan provides reasons for capital expenditure and timing of expenditure.	The above approach is indicated in the twenty years financial plan referred to in Section 10 Financial Planning, of this Report. The Reviewer was advised that in the event that maintenance exceeds estimate, the additional funding would probably be sourced from the renewals allowance and the variation	A	1

Item no.	Review Priority (1 High to 5 Low)	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)	Process and Policy Rating	Performance Rating
			added to the outstanding renewal works estimate.		
11.3	4	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The annual Budget provided to the OIC Board for approval includes a strategy for the replacement of assets reaching the end of their useful life or not performing to expectations. The Reviewer confirmed this during discussions with the General Manager OIC and the site visit.	A	1
11.4	4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The annual Budget provided to the OIC Board for approval includes a strategy for the replacement of assets reaching the end of their useful life or not performing to expectations. The review process was confirmed by review of the Board papers.	A	1
12		REVIEW OF ASSET MANAGEMENT SYSTEM		A	1
12.1	4	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	The prime documents reviewed i.e. "Policies, Plans and Procedures Manual" (PPP), "Operations Manual", and "Waterman's Manual" were up to date. Each listed the date of review and the name or title of the reviewer. Other documents, reports, minutes etc. were dated with the writer's name or initials stated. The PPP clearly states OIC's review schedule for both documentation and procedures.	A	1
12.2	4	Independent reviews (e.g., internal audit) are performed of the asset management system.	Independent reviews of the Asset Management System are completed at 12 monthly intervals for ISO Asset Management Certification and annually for environmental certification HSE compliance. Also, the rules of association between OIC and OAMC require a full independent evaluation of the asset management system. This operational audit and asset management review is also completed every 2 years or longer period as required by the ERA.	A	1

4.7 Review Recommendations

As per the Audit and Review Guidelines, recommendations are only included for criteria rated as process C or D and/or effectiveness of 3 or 4.

Table of Current Review Asset System Deficiencies and Recommendations

A. Resolved during current review period

Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of review period
Nil			

B. Unresolved during current review period

Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
Nil			

Appendix A - Methodology

A1. Audit and Review Approach

Our approach to meeting the requirements for the operational audit and asset management system effectiveness review is set out below.

Audit and Review Planning

- Conduct an initial meeting with the ERA to confirm the audit/review approach and timing for the audit and review (*not required*).
- Contact the licensee to gain an understanding of the business, relevant management plans and systems that may affect the risk assessment for planning purposes (*completed*).
- Prepare a risk assessment including any specific factors or changes relevant to the licensee (in tabular form against each licence condition and asset management system component).
- Submit a draft **Audit and Review Plan**, including the risk assessment and proposed approach, to the ERA for review and approval.
- Send a **Pre-Visit Checklist** of information and documentation to the licensee to enable staff to prepare for the visit (and where possible, send us information prior to the site visit).

Fieldwork

- Undertake a visit to the licensee and conduct various meetings with stakeholders, including corporate services and works/facilities management personnel, to determine the effectiveness of systems and procedures in place and to compare actual performance against the licence standards. ***The on-site visit will include our Principal Engineer.***
- Obtain copies of the latest asset management plans, performance reporting statistics and relevant correspondence between the licensee and the ERA for the audit period.
- The audit steps for the **Operational Audit** will include:
 - **analysis of documented procedures** to assess whether they are consistent with regulatory requirements or arrangements under the licence;
 - **review of systems and procedures** to assess whether they reflect compliance obligations and performance standards, including assessing and testing the following:
 - **control environment** – management’s philosophy and operating style, organisational structure, assignment of authority and responsibilities, the use of internal audit, the use of information technology and the skills and experience of the key staff members;
 - **information system** – the appropriateness of the information systems to record the information needed to comply with the licence, accuracy of data, security of data, cyber security and documentation describing the information system;
 - **control procedures** – the presence of systems and procedures to monitor compliance with the licence or the effectiveness of the asset management system and to detect and correct non-compliance or under-performance;

- **compliance attitude** - the action taken by the licensee in response to the previous audit/review recommendations, and an assessment of management's attitude towards compliance; and
 - **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period.
- Update the risk assessment with any new information obtained in the course of the audit testing and, in instances of significant non-compliance, assess the licensee's plan to ensure compliance and recommend any further improvements to achieve compliance.
- The activities in the **Asset Management System Review** will include:
 - analyse the documented procedures and processes for the planning, construction, operation and maintenance of assets to assess whether they are consistent with regulatory requirements under the licence;
 - interview key personnel to assess whether they understand and comply with the documented processes and procedures;
 - physically inspect the key assets and infrastructure; and
 - assess the effectiveness of the processes and system in place.

Audit and Review Reporting

- Prior to the conclusion of the visit, the lead auditor will discuss any observations and recommendations with the licensee's management to confirm our understanding of the issues and to discuss the action to be taken.
- Provide a draft report to the ERA for review no later than two weeks before the final report is due and make any revisions necessary.
- Provide the updated draft report to the ERA for review and feedback prior to finalising the report.
- Issue the final report to the ERA.
- The ERA will arrange responses to the proposed actions in the Post Audit Implementation Plan.

A2. Key Documents Reviewed

Regulatory Documents and Reports

- *Water Services Act 2012*
- Water Services Code of Conduct (Customer Service Standards) 2018
- Water Services Regulations 2013
- 2019 Audit and Review Guidelines: Water Licences
- Water Compliance Reporting Manual – September 2021
- Water Services Operating Licence WL37 – Version 6 and 7
- Map of Licence Operating Area OWR-OA-284(B)
- Operational Audit and Asset Management System Review – Ord Irrigation Cooperative – September 2019
- Compliance reports to ERA for 2018/19 to 2021/22 (and evidence of receipt by ERA).
- Performance reports to ERA for 2018/19 to 2021/22 (and evidence of receipt by ERA).
- Performance reporting datasheets for 2018/19 to 2021/22
- Water, Sewerage and Irrigation Licence Performance Reporting Handbook – 2021 and 2022.

- Water, sewerage and irrigation licence performance reporting datasheets 2018/19 to 2021/22
- Relevant correspondence between the Licensee and the ERA

Operational Audit

- OIC - Annual Report – 2020, 2021 and 2022
- OIC's Legal and Compliance Register
- OIC's Customer Service Charter
- Complaints Log
- ERA Invoices
- Admin. – Invoice Creation procedure
- Sample of OIC billing invoices

Asset Management System Review

- Policies, Plans and Procedures Manual 2023
- Operations Manual 2022
- OIAMC Services Agreement 2022-23
- OIAMC/OIC 20 Year Budget Forecasts
- Forecast – OIAMC 2022/23
- Forecast – OIC – 2022/23
- Monthly Board Report – OIC – May 2023
- HSE Risk Register
- Recertification report – ISO Standards 2022
- OIC AM Certificate 2022
- OIC QES Certificate
- Asset Listing
- State of Assets
- Water Diversion Feb. – May 2023
- OSH Skills and Training Requirements
- SOP – Training and Competency
- SPF – Plant and Equipment Competency Record
- SPR – Staff Licences Training Matrix

A3. Key Contacts

The licensee's representatives participating in the audit were:

- Ben Hellsten - General Manager
- Mary Clothier -Company Secretary-
- Blu Gaff - Environmental and Operations Manager

A4. Consultants

NAME AND POSITION	BUDGET HOURS
Geoff White - Director	60
Geoff Hughes – Principal Planning Engineer	40
TOTAL	100

END OF REPORT