



# Harvey Water Water Services Licence

## Operational Audit and Asset Management System Review

**Report**  
12 June 2020



PAXON GROUP

Private Client Services  
Audit and Assurance  
Taxation

Perth • Melbourne • Sydney | June 2020 – Final Report  
Liability limited by a scheme approved under Professional Standards Legislation.

## Table of Contents

|          |  |            |
|----------|--|------------|
| <b>1</b> | <b>Executive Summary .....</b>   | <b>3</b>   |
| 1.1      | Operational Audit.....   | 3          |
| 1.2      | Asset Management System Effectiveness Review .....                           | 6          |
| <b>2</b> | <b>Scope of Work .....</b>   | <b>9</b>   |
| 2.1      | Objectives .....   | 9          |
| 2.2      | Scope .....  | 9          |
| 2.3      | Audit/Review Methodology .....   | 10         |
| 2.4      | Time Interval Covered in Audit/Review .....                                  | 11         |
| 2.5      | Audit/Review Dates.....  | 12         |
| 2.6      | Licensee's Representatives.....  | 12         |
| 2.7      | Key Documents and Other Information Sources.....                             | 12         |
| 2.8      | Audit and Review Team Members and Hours Utilised .....                       | 14         |
| <b>3</b> | <b>Licensee's Response to Previous Recommendations .....</b>                 | <b>15</b>  |
| 3.1      | Previous Audit: Inadequate Controls, Non-Compliances and Recommendations ..  | 15         |
| 3.2      | Previous Review: Deficiencies and Recommendations .....                      | 18         |
| <b>4</b> | <b>Operational Audit: Comprehensive Report.....</b>                          | <b>20</b>  |
| 4.1      | Audit: Controls and Compliance Rating Scales.....                            | 20         |
| 4.2      | Audit: Obligation Ratings Summary.....                                       | 21         |
| 4.3      | Audit Observations and Recommendations .....                                 | 29         |
| 4.4      | Current Audit: Inadequate Controls, Non-Compliances and Recommendations .... | 98         |
| 4.5      | Current Audit: Compliance Obligations Found to be "Not Applicable" .....     | 112        |
| <b>5</b> | <b>Asset Management System Review: Comprehensive Report.....</b>             | <b>119</b> |
| 5.1      | Asset Management System Rating Scales.....                                   | 119        |
| 5.2      | Asset Management System: Ratings Summary .....                               | 121        |
| 5.3      | Review Observations and Recommendations .....                                | 128        |
| 5.4      | Current Review: Asset Management System Deficiencies and Recommendations     | 138        |
| <b>6</b> | <b>Audit Opinion .....</b>   | <b>141</b> |

# 1 Executive Summary

---

## 1.1 Operational Audit

### Audit Objective

The operational audit (Audit) was carried out to assess Harvey Water's level of compliance with the conditions of its licence.

The Audit covered the period from 1 December 2016 to 30 November 2019 (Audit Period).

### Licence, Water Services and Major Changes

South West Irrigation Management Co-operative Limited (trading as Harvey Water (HW) provides water services under the provisions of a Water Services Licence (WL) issued by the Economic Regulation Authority (ERA).

The ERA granted HW WL31 which commenced on 9 October 1996. WL31 authorises HW to provide non-potable water supply services and irrigation services. WL31, version 7, dated 8 January 2018, amended WL31, version 6 to extend the northern operating area boundary as shown in plan OWR-OA-178/3(F). Thus, with one exception, versions 6 and 7 of WL31 are identical.

The legislation that governs the licensing of water service providers is the Water Services Act 2012 (Act). The Act, except for some sections, commenced on 18 November 2013.

No major change took place in the business of HW during the Audit Period.

### HW's Response to Previous Audit Report Recommendations

The previous Audit was conducted by Cardno in respect of the period 18 November 2013 to 30 November 2016. The Cardno report, dated 20 March 2017, identified 20 instances of inadequate controls and/or non-compliance with individual obligations.

Paxon found 18 of the 20 identified instances of inadequate controls and/or non-compliance with individual obligations refer to the Water Services Code of Conduct (Customer Service Standards) 2013 (Water Code) - 14 directly and 4 indirectly. The ERA in a Notice dated 30 May 2017 stated:

*"The ERA considers that the Water Code does not apply to Harvey Water, because:*

- *Most of its water is supplied to member customers, who are excluded from the Water Code;*  
*and*
- *the services it provides to non-member customers are best characterised as non-potable water services, which are also not covered by the Water Code.*

*The recommendations addressing Water Code obligations in the audit have been retained, as the ERA considers they could be of interest to Harvey Water. Harvey Water has decided to voluntarily implement most of these recommendations."*

Thus, Paxon does not make any further reference to these 18 obligations in this Report.

**Summary of Inadequate Controls, Non-Compliances and Recommendations Arising from the Current Audit**

HW was assessed to have:

- Had weak controls during the Audit Period; and
- Complied with the majority of the legislative obligations applicable to its activities during the Audit Period.

Two separate assessments are provided in respect of HW's controls adequacy and compliance obligations. These assessments disclose Paxon's findings for both controls and compliance:

- A summary of ratings for both controls and compliance per individual obligation is disclosed in Table 9 entitled: "*Audit: Obligation Ratings Summary*" as included in section 4.2 of this Report; and
- A detailed assessment of both controls and compliance per individual obligation, including recommendations for findings of inadequate controls or non-compliance, is disclosed in Table 10 entitled: "*Audit Observations and Recommendations*" as included in section 4.3 of this Report.

Furthermore, specific detailed information as to those individual obligations assessed as having inadequate controls or being non-compliant is disclosed in Table 11 entitled: "*Current Audit: Inadequate Controls, Non-Compliances and Recommendations*" as included in section 4.4 of this Report.

**Auditor's Opinion on the Control Environment**

HW was assessed to have had weak controls during the Audit Period to help ensure compliance with its WL obligations. Paxon assessed:

- 9 obligations as having inadequate controls; and
- 68 obligations as having no controls.

Further analysis of these 77 obligations disclosed that 13 of these obligations were in respect of a division of Water Services Regulation 2013 which was only applicable to HW during the period 1/12/2016 to 13/12/2016.

The remaining 64 obligations are recorded in Table 11 entitled: "*Current Audit: Inadequate Controls, Non-Compliances and Recommendations*" as included in section 4.4 of this Report.

**Auditor's Opinion on Compliance**

HW was assessed to have complied with the majority of the legislative obligations applicable to its activities during the Audit Period. Paxon assessed:

- 6 obligations as being non-compliant – minor effect on customers or third parties; and
- 1 obligation as being non-compliant – moderate effect on customers or third parties.

Where deemed necessary, recommendations were made for these instances of non-compliance. The recommendations are recorded in Table 11 entitled: "*Current Audit: Inadequate Controls, Non-Compliances and Recommendations*" as included in section 4.4 of this Report.

A summary of Audit ratings for both controls and compliance across all obligations is disclosed in Table 1 below:

|                 |       | Compliance Rating |   |   |   |    |    |       |
|-----------------|-------|-------------------|---|---|---|----|----|-------|
|                 |       | 1                 | 2 | 3 | 4 | NR | NA | Total |
| Controls Rating | A     | 10                |   |   |   | 3  |    | 13    |
|                 | B     | 2                 |   |   |   |    |    | 2     |
|                 | C     | 4                 | 2 |   |   | 3  |    | 9     |
|                 | D     | 9                 | 4 | 1 |   | 54 |    | 68    |
|                 | NP    |                   |   |   |   |    |    |       |
|                 | NA    |                   |   |   |   |    | 13 | 13    |
|                 | Total | 25                | 6 | 1 |   | 60 | 13 | 105   |

Table 1: Summary of Audit Ratings

## 1.2 Asset Management System Effectiveness Review

### Review Objective:

The Water Services Act 2012 and WL31 (Versions 6 and 7) each require that HW provides for and maintains an asset management system. The system should set out the processes to be taken by HW to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services. The Act requires that HW provides the ERA with a report by an independent expert on the effectiveness of the system.

This asset management system effectiveness review (Review) will provide the ERA with an independent opinion on whether or not HW has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

A detailed description of the scope of the Review and the methodology adopted is provided in Section 2 of this Report.

The Review covered the period from 1 December 2016 to 30 November 2019.

### Review Assurance Level

The Review was conducted as a limited assurance engagement

### Asset Ownership

HW's assets are owned by the South West Irrigation Asset Cooperative (SWIAC). Operations and Management of HW's assets is undertaken by South West Irrigation Management Cooperative (SWIMCO).

SWIMCO also owns the assets and operates Rural Water Services (RWS) which supplies non-potable water for stock and garden watering.

### Assets Reviewed

In company with HW's Works Manager, Operations Coordinator and Document Controller, Reviewer inspected:

- Pressure reduction installations on the Logues Brook pipeline; Supply off takes and operating equipment, servicing Alcoa and other users; Wagerup and Benger pumping stations; Automatically operated trash collection racks on channel flows from Wellington Dam; Spare parts store and maintenance building at HW's office compound; and
- New assets created during the review period include the 355 mm diameter supply pipeline to the Kemerton Industrial Park and HW's new office building and maintenance facilities.

### Summary of Conclusions:

This review concludes that HW operates all areas of its non-potable water supply and irrigation services to a high standard and in a professional and competent manner. Its computer - based asset management systems are broad ranging and practical.

HW's management procedures are well documented. However, they are presented as several separate "stand alone" documents. These documents should be incorporated in - or at least summarised and referred to within the Asset Management Plan document.

HW is consistently achieving or exceeding the standards required of its customer commitments and the various licences and agreements related to the services provided under its water services licence.

HW's personnel are a well-trained, focussed and a mutually cooperative team.

This review awarded the highest "A1" rating to five of the twelve key processes reviewed. The second highest rating of "A2" was awarded to one process and four to "B1" processes. Ratings of "C1" and "C2" were assessed for Asset Planning and Contingency Planning respectively. Accordingly, recommendations are made regarding these two processes.

#### HW's Actions on Previous Review Report Recommendations

The previous Review was conducted by Cardno in 2016. The 2016 Review Report, dated 20 March 2017, identified twelve issues and recommendations regarding HW's asset management procedures or operations . This review found that six of these issues/recommendations were resolved and six are unresolved. Details of the issues and associated recommendations are set out in Table 7 entitled: "Previous Review: Deficiencies and Recommendations" in Section 3 of this Report.

Unresolved issues were mainly associated with opportunities to improve documentation by amalgamation of separate documented procedures within the Asset Management Plan document. The unresolved issues are referred to HW's management for consideration and attention as appropriate.

#### Asset Management System Effectiveness Assessment

Tables 9 and 10 of the ERA's: "*2019 Audit and Review Guidelines - Water Licences – March 2019*" provided the basis for the "Process and Policy Rating" and "Performance Rating" allocated to each asset management process during the Review.

A summary of the Reviewer's assessment of both process and policy ratings and performance ratings across all twelve asset management processes is as follows:

| <b>Asset Management System</b>             | <b>Process and Policy Rating</b> |                           |                                  |   | <b>Performance Rating</b> |                               |                             |                                   |
|--|----------------------------------|---------------------------|----------------------------------|---|---------------------------|-------------------------------|-----------------------------|-----------------------------------|
|  | <b>Process</b>                   | <b>Adequately Defined</b> | <b>Requires Some Improvement</b> | <b>Requires Substantial Improvement</b> | <b>Inadequate</b>         | <b>Performing Effectively</b> | <b>Improvement Required</b> | <b>Corrective Action Required</b> |
|  | <b>A</b>                         | <b>B</b>                  | <b>C</b>                         | <b>D</b>                                | <b>1</b>                  | <b>2</b>                      | <b>3</b>                    | <b>4</b>                          |
| <b>Asset Planning</b>                      |                                  | ✓                         |                                  |   | ✓                         |                               |                             |                                   |
| <b>Asset Creation and Acquisition</b>      | ✓                                |                           |                                  |   | ✓                         |                               |                             |                                   |
| <b>Asset Disposal</b>                      | ✓                                |                           |                                  |   | ✓                         |                               |                             |                                   |
| <b>Environmental Analysis</b>              | ✓                                |                           |                                  |   | ✓                         |                               |                             |                                   |
| <b>Asset Operations</b>                    | ✓                                |                           |                                  |   | ✓                         |                               |                             |                                   |
| <b>Asset Maintenance</b>                   | ✓                                |                           |                                  |   | ✓                         |                               |                             |                                   |
| <b>Asset Management Information System</b> | ✓                                |                           |                                  |   |                           | ✓                             |                             |                                   |
| <b>Risk Management</b>                     |                                  | ✓                         |                                  |   | ✓                         |                               |                             |                                   |
| <b>Contingency Planning</b>                |                                  |                           | ✓                                |   |                           | ✓                             |                             |                                   |
| <b>Financial Planning</b>                  |                                  | ✓                         |                                  |   | ✓                         |                               |                             |                                   |
| <b>Capital Expenditure Planning</b>        |                                  | ✓                         |                                  |   | ✓                         |                               |                             |                                   |
| <b>Review of Asset Management System</b>   |                                  | ✓                         |                                  |   | ✓                         |                               |                             |                                   |

Table 2: Summary of Review Ratings

## 2 Scope of Work

---

### 2.1 Objectives

#### 2.1.1 Operational Audit

The objective of the Audit was to assess the effectiveness of measures taken by HW to meet the quality and performance standards required by WL31 in relation to the provision of the water services authorised by WL31.

The Audit was performed as a reasonable assurance engagement.

This Audit Report identifies areas where improvement is required and recommends corrective action (see Table 11 entitled: “*Current Audit: Inadequate Controls, Non-Compliances and Recommendations*” as included in section 4.4 of this Report).

#### 2.1.2 Asset Management System Review

The Water Services Act 2012 requires that HW provides for and maintains an asset management system. The system should set out the processes to be taken by HW to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services. The Act requires HW to provide the ERA with a report by an independent expert on the effectiveness of the system.

This review will provide the ERA with an independent opinion on whether or not HW has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

This Review Report identifies areas where improvement is required and recommends corrective action (see Table 16 entitled: “*Current Review: Asset Management System Deficiencies and Recommendations*” as included in section 5.4 of this Report).

### 2.2 Scope

#### 2.2.1 Operational Audit

The Audit focused on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by WL31. The Audit considered:

- **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 WL31 throughout the Audit Period;
- **Output compliance** – the existence of output from systems and procedures throughout the Audit Period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the ERA during the Audit Period; and
- **Compliance with any individual licence conditions** – the requirements imposed on HW during the Audit Period by the ERA or specific issues advised by the ERA.

Further references to the Audit scope are included in this section of the Report.

### **2.2.2 Asset Management System Review**

The Review focused on the asset management system, including asset management plans and supporting documentation, which set out the measures that are to be taken by HW for the proper operation and maintenance of assets. The plans must convey HW's business strategies to ensure the effective management of assets over at least a five- year period.

The scope of the Review included an assessment of the adequacy and effectiveness of the asset management system by evaluation of the 12 key asset management processes mandated, being:

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

Further references to the Review scope are included in this section of the Report.

## **2.3 Audit/Review Methodology**

### **2.3.1 Audit Plan**

A risk-based approach was used to develop an Audit and Review Plan. This approach assessed the appropriate risk factors and consequently the Audit and Review fieldwork focused on higher risk areas, with less intensive coverage of medium and lower risk areas.

### **2.3.2 Fieldwork**

The Audit fieldwork consisted of the following steps:

- Conducted an initial meeting with relevant staff at HW and reviewed processes to obtain an understanding of procedures, systems and controls which were in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive testing of higher risk areas to provide sufficient assurance and confirmed lower risk areas by discussion and observation;
- Assessed compliance with WL31 over the Audit Period as well as at the time of the

### Audit;

- Researched instances of inadequate controls and non-compliances with WL31 obligations as identified; and
- Developed appropriate recommendations for improvement for discussion with management.

The Review fieldwork consisted of the following steps:

- In company with the relevant staff of HW inspected a selection of the non-potable water and irrigation services facilities, including source water off-takes, pumping and water conveyance channels and pipelines, together with offtakes to private irrigation systems and associated water measurement and recording devices. Discussed general operation practises and strategies, process implications, production and quality monitoring;
- The adequacy or otherwise of the outputs of the system - including documentation of performance standards and statutory requirements, system opportunities and threats, review and discussion of operations manuals, maintenance schedules, together with action records, registers of the location, condition, age etc. of assets;
- The extent to which the risks associated with the system environment and/or unexpected system failures have been assessed, quantified, documented as contingency plans and reduced by specific practices - such as stocking selected spare parts or, equipment items subject to extended delivery or repair periods, additional storage etc.;
- The existence and effectiveness of systems implemented for the assessment, planning, financing and construction of new, replacement and major maintenance works and disposal of redundant assets;
- Whether or not the system has been subjected to regular internal review; with systems in place to ensure that plans are regularly updated to current status, provide for prior identification of new or replacement assets, their implementation; and initiatives to improve the overall effectiveness of the asset management system; and
- HW's response to the recommendations made in previous reviews.

### **2.3.3 Audit/Review Reporting**

The Audit/Review reporting consisted of the following steps:

- Provided a draft Audit and Review Report to the ERA for review. The ERA forwarded the draft Audit and Review Report to HW for their comment;
- The ERA and HW provided comments on the draft Audit and Review Report to Paxon. Paxon considered the comments received and made amendments to the draft Audit and Review Report, as appropriate; and
- Paxon provided the final Audit and Review Report to the ERA.

The ERA will procure the post-Audit/Review implementation plan from HW.

### **2.4 Time Interval Covered in Audit/Review**

The Audit and Review both covered the period from 1 December 2016 to 30 November 2019.

## 2.5 Audit/Review Dates

The Audit/Review fieldwork was conducted during January 2020.

## 2.6 Licensee's Representatives

HW representatives who participated in the Audit are as follows:

| <b>HW Representative</b> | <b>Position</b>                |
|--------------------------|--------------------------------|
| <b>Bradd Hamersley</b>   | General Manager                |
| <b>Stephen Cook</b>      | Operations Manager             |
| <b>Tamara Praed</b>      | Customer Relations Coordinator |

**Table 3: HW Representatives Who Participated in the Audit**

HW representatives who participated in the Review are as follows:

| <b>HW Representative</b> | <b>Position</b>        |
|--------------------------|------------------------|
| <b>Bradd Hamersley</b>   | General Manager        |
| <b>Stephen Cook</b>      | Operations Manager     |
| <b>Tod Wilson</b>        | Works Manager          |
| <b>Richard Yates</b>     | Water Services Manager |
| <b>Kate Duzevich</b>     | Operations Coordinator |
| <b>Tamara Demeza</b>     | Team Administrator     |
| <b>Rebecca Skidmore</b>  | Document Controller    |

**Table 4: HW Representatives Who Participated in the Review**

## 2.7 Key Documents and Other Information Sources

### 2.7.1 Operational Audit

Details of key documents and other information sources examined during the Audit are as follows:

- Water Services Act 2012;
- Water Services Code of Conduct (Customer Service Standards) 2013;
- Water Services Regulations 2013;
- ERA: Water Services Licence – HW – WL31, version 7, 8 January 2018;
- ERA: 2019 Audit and Review Guidelines - Water Licences – March 2019;
- Cardno: Audit and Review Report – HW operational audit and asset management system review – dated 20 March 2017;

- ERA notice, HW, 2016 Operational Audit and Asset Management System Review, dated 30 May 2017;
- ERA: Water Compliance Reporting Manual – Water Services Act 2012 – October 2017;
- ERA: Water Compliance Reporting Manual – Water Services Act 2012 – May 2018;
- HW: Annual compliance reports for 2016/2017 to 2018/2019;
- HW: water, sewerage and irrigation licence performance reporting datasheets for 2016/2017 to 2018/2019;
- Correspondence with the ERA during the Audit Period;
- “*Shutdown*” summaries for 2016/2017 to 2018/2019;
- Rural Water Services Pty Ltd (RWS): policy document entitled: “*Customer Complaints*”;
- HW: procedure document entitled: “*Procedures for Customer Complaints – Process and Reporting*”;
- RWS: “*Customer Service Charter*”;
- HW: “*Customer Service Charter*”;
- RWS: “*Company Manual*”;
- HW: “*Policy Manual*”;
- HW: “*Reporting & Communication Requirements*” table;
- Memorandum of Understanding between South West Irrigation Asset Cooperative Limited and HW;
- HW: sample of tax invoices issued during the Audit Period; and
- RWS: sample of tax invoices issued during the Audit Period.

### **2.7.2 Asset Management System Review**

Details of key documents and other information sources examined during the Review are as follows:

- ERA: 2019 Audit and Review Guidelines - Water Licences – March 2019;
- Cardno: Audit and Review Report – HW operational audit and asset management system review – dated 20 March 2017;
- ERA: Water Services Licence – HW – WL31, version 6, 10 June 2016;
- ERA: Water Services Licence – HW – WL31, version 7, 8 January 2018;
- HW: Annual Reports for 2016/2017, 2017/2018 and 2018/2019;
- HW: Asset Management Plan, dated July 2019;
- HW: Policy Manual - Asset Management - June 2019;
- HW: Irrigation Scheme - Asset Management, Asset Creation, Review - dated July 2019;
- HW: Irrigation Scheme - Asset Management, Asset Disposal, Review - dated July 2019;
- HW: Asset & Operations Risk Management Plan (2019/2020);
- HW: Water Services Procedures Manual;

- Emergency Plan - Preparedness Response Review;
- HW: Staff Training Matrix - July 2019;
- HW: Strategic Plan 2017 – 2022;
- HW: Pro-forma Future Asset Maintenance Report;
- HW: “*Reporting & Communication Requirements*” table;
- Financial Plan 2019 – 2040;
- HW: Operations Budget 2019/2020;
- HW: budget presentation to the Board - 2019/2020;
- HW: Crisis Management and Communications Plan (Draft V2 - 2/4/2019);
- HW: Board meeting minutes 23/5/2018;
- HW: Annual compliance reports for 2016/2017 to 2018/2019;
- HW: water, sewerage and irrigation licence performance reporting datasheets for 2016/2017 to 2018/2019; and
- HW: DWER annual reports for 2016/2017 to 2018/2019.

## 2.8 Audit and Review Team Members and Hours Utilised

The Audit and Review team members and the hours utilised were as follows:

| Audit and Review Team Member                                     | Hours      |
|--|------------|
| Cameron Palassis – Executive Director                            | 8          |
| Anton Prinsloo – Senior Consultant                               | 52         |
| Barry Robbins - Barry Robbins Engineering and Project Management | 51         |
| <b>TOTAL</b>   | <b>111</b> |

**Table 5: Audit and Review Team Members and Hours Utilised**

### 3 Licensee's Response to Previous Recommendations

#### 3.1 Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

| Previous Audit: Inadequate Controls, Non-Compliances and Recommendations |  |   |  |  |
|--|--|---|--|--|
| A. Resolved During Current Audit Period                                  |  |   |  |  |
| Recommendation Reference<br>(no./year)                                   | Licence Obligation Reference Number  | Auditor's Recommendation  | Date Resolved  | Further Action Required (FAR)<br>(Yes/No/Not Applicable)   |
|  |  | <b>Controls and Compliance Rating</b>   |  |  |
|  |  | <b>Legislative Obligation</b>   |  |  |
|  |  | <b>Details of Inadequate Controls and/or Non-Compliance</b>   |  |  |
| A25/2017   | <ul style="list-style-type: none"> <li>• Numbers: 166 and 167;</li> <li>• Rating: B 2;</li> <li>• LO: Act, section 12 and WSL, clauses 3.8.2 and 3.8.3; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ Although the licensee has developed a Reporting and Communication Requirements matrix which sets out its reporting obligations throughout the year and, in some cases, Outlook reminders have been set up to automatically email reminders to the staff responsible for the reporting/communication actions, the 2014/15 and 2015/16 compliance reports were submitted to the ERA after the due date and the date that</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• We recommend that the licensee reviews the Outlook reminders it has set-up and implements automatic reminders for the remaining obligations to ensure that all reporting deadlines are met in the future and that copies of the submitted information are maintained on record.</li> </ul> | <ul style="list-style-type: none"> <li>• As from 08/2018.</li> </ul> | <ul style="list-style-type: none"> <li>• Paxon: <ul style="list-style-type: none"> <li>○ Could not find any specific record to confirm the timely submission of HW's 2016-2017 "Water Licence Performance Report"; and</li> <li>○ Found all compliance reports and other "Water Licence Performance Report(s)" were submitted in time and proper records were kept of such submissions.</li> </ul> </li> </ul> |

**Previous Audit: Inadequate Controls, Non-Compliances and Recommendations**
**A. Resolved During Current Audit Period**

| <b>Recommendation Reference<br/>(no./year)</b>              | <b>Licence Obligation Reference Number</b>                           | <b>Auditor's Recommendation</b> | <b>Date Resolved</b> | <b>Further Action Required (FAR)<br/>(Yes/No/Not Applicable)</b>                               |
|---|--|---------------------------------|----------------------|--|
| <b>Controls and Compliance Rating</b>                       |  |                                 |                      |  |
| <b>Legislative Obligation</b>                               |  |                                 |                      |  |
| <b>Details of Inadequate Controls and/or Non-Compliance</b> |  |                                 |                      |  |
| <b>A25/2017<br/>(continued)</b>                             | the 2013/14 performance report was submitted could not be confirmed. |                                 |                      | Details of Further Action Required (Including Current Recommendation Reference, if Applicable) |

**Table 6: Previous Audit: Inadequate Controls, Non-Compliances and Recommendations (Part A)**

**Previous Audit: Inadequate Controls, Non-Compliances and Recommendations****B. Unresolved at End of Current Audit Period**

| Recommendation Reference<br>(no./year) | Licence Number | Obligation | Reference Number | Auditor's Recommendation | Further Action Required (FAR)<br>(Yes/No/Not Applicable) |
|--|----------------|------------|------------------|--------------------------|--|
|  |                |            |                  |                          |  |
|  |                |            |                  |                          |  |
|  |                |            |                  |                          |  |

There is no content in Part B.

**Table 6: Previous Audit: Inadequate Controls, Non-Compliances and Recommendations (Part B)**

### 3.2 Previous Review: Deficiencies and Recommendations

| Previous Review: Deficiencies and Recommendations |   |  |  |   |
|---|---|--|--|---|
| A. Resolved During Current Review Period          |   |  |  |   |
| Recommendation Reference<br>(no./year)            | Rating  | Reviewer's Recommendation  | Date Resolved  | Further Action Required (FAR)<br>(Yes/No/Not Applicable)  |
|   | Asset Management Process and Effectiveness Criterion  |  |  | Details of Further Action Required (Including Current Recommendation Reference, if Applicable)  |
|   | Details of Deficiency   |  |  |   |
| R9/2017   | <ul style="list-style-type: none"> <li>• Rating: C 2;</li> <li>• Component: Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks; and</li> <li>• Details: <ul style="list-style-type: none"> <li>◦ As was noted in the previous asset management review, HW's Asset Management Plan contains a generic Incident Management Plan based on the various consequences of asset failures/incidents, rather than for failures or incidents associated with specific assets.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Based on its experiences in the January 2016 bush fire emergency in its area, HW identified that it needs to develop a more detailed Emergency Response Plan as it has never had such a document for managing incidents such as bushfire, floods etc.; and</li> <li>• We strongly support this action and have included it as a recommendation from this review. We recommend that this Emergency Response Plan should also cover system/data reinstatement and remote operations of the assets should the emergency incident impact on HW's main office location.</li> </ul> | <ul style="list-style-type: none"> <li>• Not indicated.</li> </ul> | <ul style="list-style-type: none"> <li>• FAR: no; and</li> </ul> <p>Details: HW has prepared a separate Emergency Response document dealing with risks and response activities associated with its office, business continuity and remote operations - addressing bushfire, flood, robbery, aggressive customers etc.</p> |

**Table 7: Previous Review: Deficiencies and Recommendations (Part A)**

## Previous Review: Deficiencies and Recommendations

### B. Unresolved at End of Current Review Period

| Recommendation Reference<br>(no./year) | Rating<br>Asset Management Process and Effectiveness Criterion  | Reviewer's Recommendation  | Further Action Required (FAR)<br>(Yes/No/Not Applicable)   |
|--|---|--|--|
|  | Details of Deficiency   | Details of Further Action Required<br>(Including Current Recommendation Reference, if Applicable)  |  |
| R10/2017                               | <ul style="list-style-type: none"> <li>• Rating: C 2;</li> <li>• Component: Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks; and</li> <li>• Details: <ul style="list-style-type: none"> <li>◦ HW consider that the irrigation water service it provides minimises the impact of major asset failure/outages, with the piped systems in two of the irrigation districts reducing risks associated with channel systems, the growing season minimising impacts and also allowing for shutdown time to undertake repairs and on farm storage being able to be used by the major irrigators to mitigate any short-term water supply outages.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• We recommend that HW looks to develop a more detailed Contingency Plan related to specific assets/operations;</li> <li>• We would expect this Contingency Plan to cover events such as dam outage/shutdown, significant water quality issues, pumping station outage, channel burst, pipe crossing bursts and staff illness/pandemic; and</li> <li>• By developing more detailed and incident-specific contingency plans, we would expect HW to be able to more effectively and efficiently manage any incident should it occur, and the development of these documents would also assist in succession planning for the future.</li> </ul> | <ul style="list-style-type: none"> <li>• FAR: yes; and</li> <li>• Details: The preparation of detailed contingency procedures over the broad combination of assets and possible incidents (as for Recommendation R9 of the 2016 Review) is not considered practical. Recommendation 12/2020 of this review is considered both an adequate and practical replacement recommendation.</li> </ul> |

Table 7: Previous Review: Deficiencies and Recommendations (Part B)

## 4 Operational Audit: Comprehensive Report

### 4.1 Audit: Controls and Compliance Rating Scales

The controls and compliance ratings allocated to each obligation are set out in Table 6 - taken from the ERA's document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019" (ERA's Guidelines, Table 6).

| Audit: Controls and Compliance Rating Scales |   |                   |   |
|--|---|-------------------|---|
| 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 effect on customers or third parties      |
| C  | Inadequate controls – significant improvement required          | 3                 | Non-compliant – moderate effect on customers or third parties   |
| D  | No controls evident   | 4                 | Non-compliant – major effect on customers or third parties      |
| NP   | Not performed – a controls rating was not required              | NR                | Not rated - no activity took place during the Audit Period      |
| NA   | Obligation identified as not applicable during the Audit Period | NA                | Obligation identified as not applicable during the Audit Period |

Table 8: Audit: Controls and Compliance Rating Scales

The Audit: Controls and Compliance Rating Scales, as contained in the ERA's Guidelines: Table 6 were amended to include the following ratings:

- Controls rating: "NA"; and
- Compliance rating: "NA".

## 4.2 Audit: Obligation Ratings Summary

| No. <sup>1</sup> | Obligation Under:             |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Rating:<br>(1 = High<br>to 5 =<br>Low) | Controls Rating |   |   |   |    | Compliance Rating |   |   |   |   |    |    |
|------------------|-------------------------------|---|---|---|-----------------|---|---|---|----|-------------------|---|---|---|---|----|----|
|                  | Water<br>Services<br>Act 2012 | Water<br>Services<br>Licence –<br>Version 7 |   |   | A               | B | C | D | NP | NA                | 1 | 2 | 3 | 4 | NR | NA |
|                  | Section<br>Number             | Clause<br>Number                            |   |   |                 |   |   |   |    |                   |   |   |   |   |    |    |
| 2                | 21(1)(b)                      | 3.3.1(b)                                    | Provide services and do works   | 4   | ✓               |   |   |   |    |                   | ✓ |   |   |   |    |    |
| 3                | 21(1)(c)                      | 3.1.1 & 3.5                                 |   | 4   |                 | ✓ |   |   |    |                   | ✓ |   |   |   |    |    |
| 4                | 22                            | 3.4.1                                       | Provide water services outside operating areas  | 4   |                 |   | ✓ |   |    |                   | ✓ |   |   |   |    |    |
| 5                | 23                            | 3.5   | Manage of water service works   | 4   |                 |   | ✓ |   |    |                   | ✓ |   |   |   |    |    |
| 6                | 24(1)(a) &<br>24(2)           | 4.1.1                                       |   | 4   |                 |   | ✓ |   |    |                   | ✓ |   |   |   |    |    |
| 7                | 24(1)(b)                      | 4.1.2 & 4.1.1                               |   | 4   |                 |   |   | ✓ |    |                   |   | ✓ |   |   |    | ✓  |
| 8                | 24(1)(c)                      | 4.1.3                                       |   | 4   |                 | ✓ |   |   |    |                   | ✓ |   |   |   | ✓  |    |
| 9                | 25                            | 4.3.1                                       |   | 4   |                 | ✓ |   |   |    |                   | ✓ |   |   |   | ✓  |    |
| 12               | 29                            | 3.1.1                                       | Comply with the Act   | 4   |                 |   |   | ✓ |    |                   |   | ✓ |   |   | ✓  |    |
| 13               | 36                            | 3.1.1                                       | Perform duties on ceasing to provide a water service  | 4   |                 |   |   | ✓ |    |                   |   | ✓ |   |   | ✓  |    |
| 15               | 66                            | 5.5.1                                       | Comply with Water Services Ombudsman Scheme   | 4   |                 |   |   | ✓ |    |                   |   | ✓ |   |   | ✓  |    |
| 16               | 77(3)                         | 3.1.1                                       | Minimise water services interruption  | 4   |                 |   | ✓ |   |    |                   | ✓ |   |   |   | ✓  |    |

<sup>1</sup> The “No.” refers to the obligation reference number, as per the appropriate ERA: “Water Compliance Reporting Manual – Water Services Act 2012” version.

| No. <sup>1</sup> | Obligation Under:             |   | Abbreviated Description of Obligation<br><br>(See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Rating:<br>(1 = High<br>to 5 =<br>Low) | Controls Rating   |   | Compliance Rating |   |   |   |    |    |   |   |   |   |    |
|------------------|-------------------------------|---|---|---|---|---|-------------------|---|---|---|----|----|---|---|---|---|----|
|                  | Water<br>Services<br>Act 2012 | Water<br>Services<br>Licence –<br>Version 7 |   |   | (Refer to the 6-point rating<br>scale in Table 8 for details) | (Refer to the 6-point rating<br>scale in Table 8 for details) | A                 | B | C | D | NP | NA | 1 | 2 | 3 | 4 | NR |
|                  | Section<br>Number             | Clause<br>Number                            |   |   |   |   |                   |   |   |   |    |    |   |   |   |   |    |
| 18               | 84(2)                         | 3.1.1                                       | Give notice of intention to commence works  | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 19               | 87(2)                         | 3.1.1                                       | Defer works on application to State Administrative Tribunal   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 20               | 90(7)                         | 3.1.1                                       | Consult with landowner  | 5   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 22               | 96(1)                         | 3.1.1                                       | Install fire hydrants   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 23               | 96(5)                         | 3.1.1                                       | Comply with FESA of local government request  | 5   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 28               | 119(2)                        | 3.1.1                                       | Include specified information in compliance notice  | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 29               | 122(2)                        | 3.1.1                                       | Refrain from acting on application to State Administrative Tribunal   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 31               | 128(4)                        | 3.1.1                                       | Lodge withdrawal of memorial with Registrar   | 4   | ✓   |   |                   |   |   |   |    |    |   |   |   | ✓ |    |
| 32               | 129(5)                        | 3.1.1                                       | Notify occupants of a place of proposed entry   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 33               | 139(3)                        | 3.1.1                                       | Notify before exercising a works power  | 5   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 34               | 141(1)                        | 3.1.1                                       | Notify public authority managing a road   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 35               | 142                           | 3.1.1                                       | Comply with Act in case of proposed major works   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 36               | 143 (2)                       | 3.1.1                                       | Publicise major works   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |

| No. <sup>1</sup> | Obligation Under:             |   | Abbreviated Description of Obligation<br><br>(See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Rating:<br>(1 = High<br>to 5 =<br>Low) | Controls Rating   |   | Compliance Rating |   |   |   |    |    |   |   |   |   |    |
|------------------|-------------------------------|---|---|---|---|---|-------------------|---|---|---|----|----|---|---|---|---|----|
|                  | Water<br>Services<br>Act 2012 | Water<br>Services<br>Licence –<br>Version 7 |   |   | (Refer to the 6-point rating<br>scale in Table 8 for details) | (Refer to the 6-point rating<br>scale in Table 8 for details) | A                 | B | C | D | NP | NA | 1 | 2 | 3 | 4 | NR |
|                  | Section<br>Number             | Clause<br>Number                            |   |   |   |   |                   |   |   |   |    |    |   |   |   |   |    |
| 37               | 143 (3)                       | 3.1.1                                       | Notify specified persons and agencies of proposed major works   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 38               | 144(3)                        | 3.1.1                                       | Have regard to objections and submissions   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 39               | 145(2)                        | 3.1.1                                       | Give written notice of alterations to plans or details  | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 40               | 147(3)                        | 3.1.1                                       | Comply with Minister’s direction as to major works  | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 41               | 147(4)                        | 3.1.1                                       | Resubmit major works proposal   | 4   |   |   | ✓                 |   |   |   |    |    |   |   |   | ✓ |    |
| 42               | 151(1)                        | 3.1.1                                       | Publicise proposed general works  | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |
| 43               | 151(2)                        | 3.1.1                                       | Notify specified persons and agencies of general works  | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |
| 44               | 152(3)                        | 3.1.1                                       | Have regard to objections and submissions   | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |
| 45               | 153(3)                        | 3.1.1                                       | Give written notice of alterations to plans or details  | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |
| 46               | 166(5)                        | 3.1.1                                       | Acquire an interest in land   | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |
| 47               | 166(6)                        | 3.1.1                                       | Pay costs for acquiring land  | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |
| 49               | 173(4)                        | 3.1.1                                       | Notify owner or occupier of a place of proposed entry   | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |
| 50               | 174(1)                        | 3.1.1                                       | Give written notice of proposed entry   | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |
| 51               | 174(3)                        | 3.1.1                                       | Give notice of entry to occupier when practicable   | 4   |   |   | ✓                 |   |   |   |    |    |   |   | ✓ |   |    |

| No. <sup>1</sup> | Obligation Under:             |   | Abbreviated Description of Obligation<br><br>(See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Rating:<br>(1 = High<br>to 5 =<br>Low) | Controls Rating |   | Compliance Rating |   |    |    |   |   |   |    |    |
|------------------|-------------------------------|---|---|---|-----------------|---|-------------------|---|----|----|---|---|---|----|----|
|                  | Water<br>Services<br>Act 2012 | Water<br>Services<br>Licence –<br>Version 7 |   |   | A               | B | C                 | D | NP | NA | 1 | 2 | 3 | 4  |    |
|                  | Section<br>Number             | Clause<br>Number                            |   |   |                 |   |                   |   |    |    |   |   |   | NR | NA |
| 54               | 176(1)                        | 3.1.1                                       | Leave premises at request of owner or occupier  | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 55               | 176(3)                        | 3.1.1                                       | Produce a certificate of authority  | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 56               | 176(4)                        | 3.1.1                                       | Leave a place if no evidence of authority to enter can be presented on request  | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 57               | 181                           | 3.1.1                                       | Comply with reasonable request from owner or occupier   | 5   | ✓               |   |                   |   |    |    |   |   |   | ✓  |    |
| 58               | 186                           | 3.1.1                                       | Include prescribed information in a warrant application   | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 59               | 187(1) –<br>(3)               | 3.1.1                                       | Make entry warrant application as per specified procedures  | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 60               | 190(4)                        | 3.1.1                                       | Produce warrant for inspection by occupier of a place   | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 61               | 190(5)                        | 3.1.1                                       | Record prescribed information on warrant  | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 62               | 210(5)                        | 3.1.1                                       | Give certificate of authority to designated inspector or compliance officer   | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 63               | 218(2)                        | 3.1.1                                       | Maintain free use of a place and limit damage, harm or inconvenience  | 5   |                 | ✓ |                   |   |    |    |   |   | ✓ |    |    |
| 64               | 218(3)                        | 3.1.1                                       | Make good damage or pay compensation  | 4   |                 | ✓ |                   |   |    |    |   |   |   | ✓  |    |

**Table 9: Audit: Obligation Ratings Summary**

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (numbers 2 to 64)]

| No.   | Obligation Under:               |                                    | (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Rating:<br>(1 = High to 5 = Low) | Controls Rating |   |   |   |    |    | Compliance Rating |   |   |   |    |    |
|---|---------------------------------|------------------------------------|--|---|-----------------|---|---|---|----|----|-------------------|---|---|---|----|----|
|   | Water Services Regulations 2013 | Water Services Licence – Version 7 |  |   | A               | B | C | D | NP | NA | 1                 | 2 | 3 | 4 | NR | NA |
|   | Regulation Number               | Clause Number                      |  |   |                 |   |   |   |    |    |                   |   |   |   |    |    |
| 66  | 24(4)                           | 3.1.1                              | Include specified information in compliance notice for meter access                                    | 4   |                 |   |   |   |    |    | ✓                 |   |   |   | ✓  |    |
| 67  | 26(3)                           | 3.1.1                              | Test meter as per approved procedure   | 4   |                 |   |   |   |    |    | ✓                 |   |   |   | ✓  |    |
| 68  | 26(5)                           | 3.1.1                              | Take actions - meter is outside prescribed tolerance   | 4   |                 |   |   |   |    |    | ✓                 |   |   |   | ✓  |    |
| 69  | 29(1)                           | 3.1.1                              | Defer payment of infrastructure contribution on request  | 4   |                 |   |   |   |    |    | ✓                 |   |   |   | ✓  |    |
| 74  | 60(2)                           | 3.1.1                              | Give notice of altering position of infrastructure in roads  | 4   |                 |   |   |   |    |    | ✓                 |   |   |   | ✓  |    |
| 75  | 63                              | 3.1.1                              | Reinstate or make good road surface opened or broken up  | 4   |                 |   |   |   |    |    | ✓                 |   |   | ✓ |    |    |
| <b>Obligations 76 to 88 were only applicable during the period 01/12/2016 to 13/12/2016</b> |                                 |                                    |  |   |                 |   |   |   |    |    |                   |   |   |   |    |    |
| 76  | 65(1)                           | 3.1.1                              | Maintain records for all land in respect of which water service charges apply                          | 4   |                 |   |   |   |    |    | ✓                 |   |   | ✓ |    |    |
| 77  | 65(2)                           | 3.1.1                              | Include prescribed information in land records   | 4   |                 |   |   |   |    |    | ✓                 |   |   | ✓ |    |    |
| 78  | 65(4)                           | 3.1.1                              | Make land record available for inspection  | 4   |                 |   |   |   |    |    | ✓                 |   |   | ✓ |    |    |
| 79  | 67                              | 3.1.1                              | Use land records as the basis to determine water service charges                                       | 4   |                 |   |   |   |    |    | ✓                 |   |   | ✓ |    |    |
| 80  | 68(5)                           | 3.1.1                              | Consider an objection to land records as soon as practicable   | 5   |                 |   |   |   |    |    | ✓                 |   |   | ✓ |    |    |
| 81  | 68(6)                           | 3.1.1                              | Give written notice of the licensee's decision on an objection   | 4   |                 |   |   |   |    |    | ✓                 |   |   | ✓ |    |    |

| No. | Obligation Under:                     |  | (See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation)       | Audit<br>Priority<br>Rating:<br>(1 = High<br>to 5 =<br>Low) | Controls Rating |   |   |   |    | Compliance Rating |   |   |   |   |    |
|-----|---------------------------------------|--|--|---|-----------------|---|---|---|----|-------------------|---|---|---|---|----|
|     | Water Services<br>Regulations<br>2013 | Water Services<br>Licence –<br>Version 7 |  |   | A               | B | C | D | NP | NA                | 1 | 2 | 3 | 4 | NR |
|     | Regulation<br>Number                  | Clause<br>Number                         |  |   |                 |   |   |   |    |                   |   |   |   |   | NA |
| 82  | 68(7)                                 | 3.1.1                                    | Inform person who objected of consequential amendment of land records  | 4   |                 |   |   |   |    | ✓                 |   |   |   |   | ✓  |
| 83  | 68(8)                                 | 3.1.1                                    | Advise successful objector of the time within which and the manner in which a review of the decision may be sought | 4   |                 |   |   |   |    | ✓                 |   |   |   |   | ✓  |
| 84  | 69(3)                                 | 3.1.1                                    | Refer relevant records to the State Administrative Tribunal for a review   | 4   |                 |   |   |   |    | ✓                 |   |   |   |   | ✓  |
| 85  | 70(2)                                 | 3.1.1                                    | Refer decision to the State Administrative Tribunal for a review   | 4   |                 |   |   |   |    | ✓                 |   |   |   |   | ✓  |
| 86  | 74(1)                                 | 3.1.1                                    | Make amendment to land records in specified circumstances  | 4   |                 |   |   |   |    | ✓                 |   |   |   |   | ✓  |
| 87  | 74(2)                                 | 3.1.1                                    | Redetermine and provide a rebate or refund   | 4   |                 |   |   |   |    | ✓                 |   |   |   |   | ✓  |
| 88  | 75(1)                                 | 3.1.1                                    | Provide information to person liable to pay for water service charges  | 4   |                 |   |   |   |    | ✓                 |   |   |   |   | ✓  |
| 89  | 85                                    | 3.1.1                                    | Include stipulated information in compliance notices   | 4   |                 |   |   |   |    | ✓                 |   |   |   |   | ✓  |

**Table 9: Audit: Obligation Ratings Summary**

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" (numbers 73 and 76 to 88)]

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (all other numbers in this Table section)]

| No. | Obligation Under:       |                                    | Abbreviated Description of Obligation<br><br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Rating:<br>(1 = High to 5 = Low) | Controls Rating |   | Compliance Rating |   |    |    |   |   |   |    |    |
|-----|-------------------------|------------------------------------|---|---|-----------------|---|-------------------|---|----|----|---|---|---|----|----|
|     | Water Services Act 2012 | Water Services Licence – Version 7 |   |   | A               | B | C                 | D | NP | NA | 1 | 2 | 3 | 4  |    |
|     | Section Number          | Clause Number                      |   |   |                 |   |                   |   |    |    |   |   |   | NR | NA |
| 155 | 12                      | 3.2.1                              | Pay fees and charges  | 4   |                 |   | ✓                 |   |    |    |   | ✓ |   |    |    |
| 156 | 12                      | 3.1.1                              | Comply with applicable legislation  | 4   |                 |   | ✓                 |   |    |    |   | ✓ |   |    |    |
| 159 | 12                      | 3.1.2                              | Comply with ERA direction   | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 160 | 12                      | 3.6.1                              | Maintain accounting records   | 4   |                 |   | ✓                 |   |    |    |   | ✓ |   |    |    |
| 161 | 12                      | 4.2.1                              | Comply with individual performance standards  | 4   | ✓               |   |                   |   |    |    |   | ✓ |   |    |    |
| 162 | 12                      | 4.3.4                              | Comply with operational audit responsibilities  | 4   | ✓               |   |                   |   |    |    |   | ✓ |   |    |    |
| 163 | 12                      | 3.7.1(a), (b), (c)                 | Report specific situations to the ERA   | 4   | ✓               |   |                   |   |    |    |   |   |   | ✓  |    |
| 165 | 12                      | 3.8.1                              | Provide specified information to the ERA  | 4   | ✓               |   |                   |   |    |    |   |   |   | ✓  |    |
| 166 | 12                      | 3.8.2                              | Comply with ERA prescribed information reporting requirements   | 4   | ✓               |   |                   |   |    |    |   | ✓ |   |    |    |
| 167 | 12                      | 3.8.3                              | Provide performance reporting data to the ERA   | 4   | ✓               |   |                   |   |    |    |   | ✓ |   |    |    |
| 168 | 12                      | 2.8.1 and 2.8.2                    | Publish information as specified by the ERA   | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 169 | 12                      | 2.7.1                              | Give all notices in writing   | 4   |                 |   | ✓                 |   |    |    |   | ✓ |   |    |    |
| 171 | 12                      | 4.1.2                              | Notify ERA of material asset management system changes  | 4   |                 |   | ✓                 |   |    |    |   |   |   | ✓  |    |
| 172 | 12                      | 4.1.6                              | Comply with asset management system review responsibilities   | 4   | ✓               |   |                   |   |    |    |   | ✓ |   |    |    |

| No. | Obligation Under:       |                                    | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Rating:<br>(1 = High to 5 = Low) | Controls Rating |   | Compliance Rating |   |    |    |   |   |   |    |    |
|-----|-------------------------|------------------------------------|---|---|-----------------|---|-------------------|---|----|----|---|---|---|----|----|
|     | Water Services Act 2012 | Water Services Licence – Version 7 |   |   | A               | B | C                 | D | NP | NA | 1 | 2 | 3 | 4  |    |
|     | Section Number          | Clause Number                      |   |   |                 |   |                   |   |    |    |   |   |   | NR | NA |
| 173 | 12                      | 5.5.1                              | Supply water only if a member of the water services ombudsman scheme  | 4   |                 |   | ✓                 |   |    |    | ✓ |   |   |    |    |
| 175 | 12                      | 5.1.1                              | Submit a draft customer contract for approval   | 4   |                 |   | ✓                 |   |    |    |   |   |   |    | ✓  |
| 177 | 12                      | 5.1.3                              | Amend customer contract only with ERA's approval  | 4   |                 |   | ✓                 |   |    |    |   |   |   |    | ✓  |
| 178 | 12                      | 5.1.5                              | Comply with ERA direction to amend customer contract  | 4   |                 |   | ✓                 |   |    |    |   |   |   |    | ✓  |
| 179 | 12                      | 5.3.1 and 5.3.2                    | Obtain ERA approval to vary customer agreement  | 4   |                 |   | ✓                 |   |    |    |   |   |   |    | ✓  |
| 180 | 12                      | 5.3.4                              | Publish annual report containing specified information  | 4   |                 |   | ✓                 |   |    |    |   |   |   |    | ✓  |
| 182 | 12                      | 3.4.1(b)                           | Apply for licence amendment if providing water services outside operating area  | 4   |                 |   | ✓                 |   |    |    | ✓ |   |   |    |    |
| 190 | 12                      | Schedule 2                         | Comply with service and performance standards   | 4   | ✓               |   |                   |   |    |    | ✓ |   |   |    |    |

**Table 9: Audit: Obligation Ratings Summary**

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 155 to 190)]

### 4.3 Audit Observations and Recommendations

| No. <sup>2</sup> | Obligation Under:       |                                    | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|------------------------------------|--|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  | Section Number   | Clause Number  | Controls                    | Compliance |
| 2                | 21(1)(b)                | 3.3.1(b)                           | 4  | If requested to provide a water service authorised by the licence to a person not covered by section 21(1)(a) but within the operating area of the licence, the licensee must offer to provide the service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable. | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined the “<i>Company Manual</i>” for Rural Water Services Pty Ltd (RWS) which states under the heading “<i>Background</i>”:</li> <p><i>“Rural Water Services Pty Ltd is a wholly owned subsidiary of South West Irrigation Management Cooperative (trading as Harvey Water), formed in 2004 to supply non potable water, mainly to non shareholders, typically on lots of less than 5ha using an estimated 1 ML pa, or less.”;</i></p> <li>Paxon examined the “<i>Customer Service Charter</i>” of RWS which states:</li> <p><i>“Anyone who is close enough to Harvey Water’s pipeline, in the Harvey and Waroona Districts, may apply to connect to the service. A fixed cost applies to a direct connection to an existing pipeline but full cost recovery will be required where additional works are needed.”; and</i></p> <li>Paxon examined the HW policy entitled: “<i>Unauthorised Use of Water Delivery System</i>” which states:</li> </ul> | A                           | 1          |

<sup>2</sup> The “No.” refers to the obligation reference number, as per the appropriate ERA: “*Water Compliance Reporting Manual – Water Services Act 2012*” version.

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to<br>5 = Low)   | Observations and Recommendations   |  | Ratings<br>(as per Table 8) |
|--|------------------------------------|----------------|--|--|--|-----------------------------|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number  |  |  | Controls      Compliance    |
| 2<br>(cont.)   |                                    |                |  | "Irrigation customers are those who have been allocated water since 1996/7 through the rating system that gives them rights to shares and Transferable Water Entitlements (TWE), who have been given approval after proper application for water under By-laws or who have made Special Agreements with Harvey Water for the supply of water." | <b>Compliance:</b><br><ul style="list-style-type: none"><li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not refuse to provide a water service authorised by its water services licence (WSL) to any person within the operating area of the licence who requested such a service.</li></ul>  |                             |
| 3  | 21(1)(c)                           | 3.1.1 and 3.5  | The licensee must provide, operate and maintain the water service works specified by the ERA in the licence. | 4  | <b>Controls and Compliance:</b><br><ul style="list-style-type: none"><li>The provision, operation and maintenance of the water service works during the Audit Period are covered in comprehensive detail in section 5 of this Report. The reviewer rated HW's asset management system across 12 asset management system processes, as referred to in the Review section of this Report. The Reviewer has stated:<br/><i>"This review concludes that HW operates all areas of its non-potable water supply and irrigation services to a high standard and in a professional and competent</i></li></ul> | B      1                    |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to<br>5 = Low)   | Observations and Recommendations |  | Ratings<br>(as per Table 8) |            |
|--|------------------------------------|----------------|--|----------------------------------|--|-----------------------------|------------|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number  |                                  |  | Controls                    | Compliance |
| 3<br>(cont.)   |                                    |                |  |                                  | <p><i>manner. Its computer - based asset management systems are broad ranging and practical."</i></p> <p>A summary of the Reviewer's findings is included in Table 2 above.</p>  |                             |            |
| 4  | 22                                 | 3.4.1          | The licensee must notify the ERA as soon as practicable before commencing to provide the water service outside of the operating area of the license. | 4                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon examined the:           <ul style="list-style-type: none"> <li>○ South West Irrigation Management Cooperative Limited (SWIMCO) "Policy Manual";</li> <li>○ "Company Manual" for RWS; and</li> <li>○ Other policy documents, procedure documents, plans and checklists.</li> </ul> </li> </ul> <p>(Hereinafter referred to as the HW Manuals.)</p> <p>However, Paxon could not find a specific reference to the stipulations of section 22 of the Act in the HW Manuals.</p> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did:           <ul style="list-style-type: none"> <li>○ Provide a water service outside the operating area of its WSL; and</li> <li>○ Inform the ERA accordingly prior to commencing provision of that water service.</li> </ul> </li> </ul> | C                           | 1          |

| No. <sup>2</sup> | Obligation Under:       | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  | Ratings<br>(as per Table 8) |
|------------------|-------------------------|------------------------------------|--|---|-----------------------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |   | Controls      Compliance    |
|                  | Section Number          | Clause Number                      |  |   |                             |
| 4<br>(cont.)     |                         |                                    |  | <ul style="list-style-type: none"> <li>Paxon examined a letter, dated 16/11/2017, addressed to the ERA in which HW stated:<br/><i>"Harvey Water requests the approval of the ERA for an extension to our area of operation. We would like to extend the northern boundary to include the area bordered by..."</i></li> <li>This letter referred to the proposed extension of a pipeline with construction proposed to commence in December 2017. Thus, after making the request to the ERA and before commencing to provide the additional water service; and</li> <li>Paxon examined a letter, dated 8/01/2018, addressed to HW in which the ERA approved an amendment to WL31 to include a revised operating area. This letter referred to a revised WL31 (version 7) and an updated operating area plan.</li> </ul> <p><b>General observation across all compliance obligations:</b></p> <ul style="list-style-type: none"> <li>HW was assessed to have had weak controls during the Audit Period to help ensure compliance with its WL obligations. Paxon's findings regarding the existence of controls for each individual compliance obligation are included within this Table; and</li> </ul> |                             |

| No. <sup>2</sup> | Obligation Under:       | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  | Ratings<br>(as per Table 8) |
|------------------|-------------------------|------------------------------------|--|---|-----------------------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |   | Controls      Compliance    |
|                  | Section Number          | Clause Number                      |  |   |                             |
| 4<br>(cont.)     |                         |                                    |  | <ul style="list-style-type: none"> <li>Paxon was informed by HW's Operations Manager that it will compile and implement a compliance schedule, based on the ERA's: "<i>Water Compliance Reporting Manual – Water Services Act 2012 – May 2018</i>" to help ensure compliance with its obligations in terms of the water services legislation.</li> </ul> <p><b>Recommendation 1/2020:</b></p> <ul style="list-style-type: none"> <li>HW should implement a compliance register which records all its obligations in terms of the Water services legislation. This register should identify, per individual compliance obligation, appropriate policy and procedure documents and responsible employees. The ERA's document entitled: "<i>Water Compliance Reporting Manual - Water Services Act 2012 – May 2018</i>" may help HW in developing a framework for its own compliance register.</li> </ul> <p><b>Recommendation 2/2020:</b></p> <ul style="list-style-type: none"> <li>HW should ensure its policy and procedure documents addresses its compliance obligations in appropriate detail. Thus, reference should be made to the actual legislative instrument(s) which is the source of each individual compliance obligation when assessing the suitability of policy and procedure documents.</li> </ul> |                             |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to<br>5 = Low)  | Observations and Recommendations |  | Ratings<br>(as per Table 8) |
|--|------------------------------------|----------------|---|----------------------------------|--|-----------------------------|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number   |                                  |  | Controls      Compliance    |
| 4<br>(cont.)   |                                    |                |   |                                  | <ul style="list-style-type: none"> <li>In particular, HW should focus on those compliance obligations, as included in its new compliance register, for which no appropriate policy or procedure documents exist (Uncovered Obligations). HW should compile and implement appropriate policy and procedure documents to help ensure compliance with the uncovered obligations included in its compliance register.</li> </ul>   |                             |
| 5  | 23                                 | 3.5            | 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                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of section 23 of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period: <ul style="list-style-type: none"> <li>SWIMCO owned the Harvey pipe project assets;</li> <li>South West Irrigation Asset Co-operative Limited (SWIAC) owned all other water</li> </ul> </li> </ul> | C      1                    |

| No. <sup>2</sup> Obligation Under: |                                    | Summary Description of Obligation |   | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations  |  | Ratings<br>(as per Table 8) |            |
|------------------------------------|------------------------------------|-----------------------------------|---|---|---|--|-----------------------------|------------|
| Water Services Act 2012            | Water Services Licence – Version 7 | Section Number                    | Clause Number   |   |   |  | Controls                    | Compliance |
| 5<br>(cont.)                       |                                    |                                   |   |   | service works which was used to provide water services in terms of the WSL; and   | <ul style="list-style-type: none"> <li>○ A Memorandum of Understanding (MOU) between SWIMCO and SWIAC was entered which includes appropriate references to leases of water service works.</li> <li>● Paxon examined the MOU, entered on 1 July 2018 for the period 1/07/2018 to 30/06/2019 which includes the following recitals: <ul style="list-style-type: none"> <li>○ "<i>SWIAC and SWIMCO desire to enter into an agreement whereby SWIMCO leases part of the "Harvey Water Irrigation System" from SWIAC</i>"; and</li> <li>○ "<i>SWIAC and SWIMCO desire to enter into an agreement whereby SWIMCO leases the property owned by SWIAC known as the Harvey Water Offices and the Turnbull Street Depot for purposes of conducting its business</i>".</li> </ul> </li> </ul> |                             |            |
| 6                                  | 24(1)(a) & 24(2)                   | 4.1.1                             | The licensee must have an asset management system that provides for the operation and maintenance of the water service works. | 4   | <b>Controls and Compliance:</b><br><ul style="list-style-type: none"> <li>● See the controls and compliance observations for obligation number 3 above.</li> </ul>                    |  | B                           | 1          |
| 7                                  | 24(1)(b)                           | 4.1.1 and 4.1.2                   | The licensee must give details of the asset management system and any changes to it to the ERA.                               | 4   | <b>Controls:</b><br><ul style="list-style-type: none"> <li>● Paxon could not find any direct reference to the stipulations of section 23 of the Act in the HW Manuals; and</li> </ul> |  | D                           | NR         |

| No. <sup>2</sup> | Obligation Under:       |                                    | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|------------------------------------|--|--|--|---|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |  | Section Number   | Clause Number   | Controls                    | Compliance |
| 7<br>(cont.)     |                         |                                    |  |  |  | <ul style="list-style-type: none"> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, no changes took place to the asset management system.</li> </ul> |                             |            |
| 8                | 24(1)(c)                | 4.1.3                              | 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  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined the HW policy entitled: "Organisational Reporting &amp; Communication Requirements" which includes an appropriate reference to the stipulations of section 24(1)(c) of the Act.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Cardno undertook an "asset management system review" of HW for the period 18 November 2013 to 30 November 2016, and issued a report dated 20 March 2017; and</li> <li>Paxon was appointed by the ERA to conduct an asset management system review of HW for the period 1 December 2016 to 30 November 2019.</li> </ul> | A   | 1                           |            |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations |  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------|---|--|----------------------------------|--|-----------------------------|------------|
|                  |                   |   |  | Section Number                   | Clause Number  | Controls                    | Compliance |
| 9                | 25                | 4.3.1 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  |                                  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined the HW policy entitled: "Organisational Reporting &amp; Communication Requirements" which includes an appropriate reference to the stipulations of section 25 of the Act.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Cardno undertook an "<i>operational audit</i>" of HW for the period 18 November 2013 to 30 November 2016 and issued a report dated 20 March 2017; and</li> <li>Paxon was appointed by the ERA to conduct an operational audit of HW for the period 1 December 2016 to 30 November 2019.</li> </ul> | A                           | 1          |
| 12               | 29                | 3.1.1 The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.                    | 4  |                                  | <p><b>Controls and Compliance:</b></p> <ul style="list-style-type: none"> <li>An assessment of controls for, and compliance with the Act is included in this Report - see compliance obligation numbers 2 to 64 and 155 to 190 below; and</li> <li>Recommendations were made for instances of non-compliance with the Act, as identified by the Audit. These recommendations are disclosed in the:</li> </ul>  | D                           | 2          |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to<br>5 = Low)  | Observations and Recommendations |  | Ratings<br>(as per Table 8) |    |
|--|------------------------------------|----------------|---|----------------------------------|--|-----------------------------|----|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number   |                                  |  | Controls      Compliance    |    |
| 12<br>(cont.)  |                                    |                |   |                                  | <ul style="list-style-type: none"> <li>○ “Observations and Recommendations” section of this Table, at the relevant individual obligations; and</li> <li>○ Table 11 below entitled: “Current Audit: Inadequate Controls, Non-Compliances and Recommendations”.</li> </ul>   |                             |    |
| 13   | 36                                 | 3.1.1          | 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                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon could not find any direct reference to the stipulations of section 36 of the Act in the HW Manuals; and</li> <li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, no termination of the provision of a water service in an area took place.</li> </ul> | D                           | NR |
| 15   | 66                                 | 5.5.1          | Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.                                | 4                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon could not find any direct reference to the stipulations of section 66 of the Act in the HW Manuals; and</li> <li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul>  | D                           | 1  |

| No. <sup>2</sup> | Obligation Under:       |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|------------------------------------|---|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |   |  |  | Controls                    | Compliance |
| 15               | (cont.)                 |                                    |   |  | <b>Compliance:</b><br><ul style="list-style-type: none"><li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW:<ul style="list-style-type: none"><li>○ Was a member of the water services ombudsman scheme; and</li><li>○ Agreed to be bound by, and was compliant with, any decision of direction of the water services ombudsman under the scheme.</li></ul></li></ul>  |                             |            |
| 16               | 77(3)                   | 3.1.1                              | The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for. | 4  | <b>Controls:</b><br><ul style="list-style-type: none"><li>• Paxon examined HW's "<i>Customer Service Charter</i>" which states in section 3 entitled: "<i>Asset Management</i>":<br/><i>"We will endeavour to prevent disruptions to supply; however, where they are unavoidable we will limit them to a maximum of five days."</i>;</li><li>• Paxon examined RWS's "<i>Customer Service Charter</i>" which states in section 4 entitled: "<i>Asset Management</i>":<br/><i>"We will endeavour to prevent disruptions to supply; however, where they are unavoidable we will limit them to a maximum of five days."</i>;</li><li>• However, Paxon could not find any direct reference to the stipulations of section 77(3) of the Act in the HW Manuals; and</li></ul> | C                           | 1          |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |  | Ratings<br>(as per Table 8) |
|--|------------------------------------|--|--|--|-----------------------------|
| Water Services Act 2012  | Water Services Licence – Version 7 |  |  |  | Controls      Compliance    |
| Section Number   | Clause Number                      |  |  |  |                             |
| 16<br>(cont.)  |                                    |  | <ul style="list-style-type: none"> <li>See recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, "shutdowns" of water services: <ul style="list-style-type: none"> <li>Took place in order to perform repairs; and</li> <li>Were scheduled to take place outside the irrigation season except in emergencies.</li> </ul> </li> <li>Paxon examined "shutdown" summaries for: <ul style="list-style-type: none"> <li>2016-2017: most "shutdowns" were for emergencies and were resolved on the same day;</li> <li>2017-2018: most "shutdowns" were for emergencies, all of which were resolved on the same day. Two "winter maintenance" "shutdowns" took place, both of which lasted for a couple of days;</li> <li>2018-2019: most "shutdowns" were for emergencies, some of which took a couple of days to resolve; and</li> <li>01/07/2019 to 04/12/2019: all "shutdowns" were for emergencies, all of which were resolved the same day with only two exceptions being resolved the next day.</li> </ul> </li> </ul> |  |                             |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to<br>5 = Low)  | Observations and Recommendations |   | Ratings<br>(as per Table 8) |            |
|--|------------------------------------|----------------|---|----------------------------------|---|-----------------------------|------------|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number   |                                  |   | Controls                    | Compliance |
| 16<br>(cont.)  |                                    |                |   |                                  | <ul style="list-style-type: none"> <li>Paxon is satisfied HW took reasonable steps to minimise the extent or duration of any interruption of water services.</li> </ul>   |                             |            |
| 18   | 84(2)                              | 3.1.1          | 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                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of section 84(2) of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW: Did not give a notice under section 83(3)(a) of the Act; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with section 84(2) of the Act.</li> </ul> | D                           | NR         |
| 19   | 87(2)                              | 3.1.1          | 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                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of section 87(2) of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul>  | D                           | NR         |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                         |                                    | Audit Priority Rating:<br>(1 = High to<br>5 = Low)  | Observations and Recommendations |  | Ratings<br>(as per Table 8) |
|--|-------------------------|------------------------------------|---|----------------------------------|--|-----------------------------|
|  | Water Services Act 2012 | Water Services Licence – Version 7 |   |                                  |  | Controls      Compliance    |
|  | Section Number          | Clause Number                      |   |                                  |  |                             |
| 19<br>(cont.)  |                         |                                    |   |                                  | <b>Compliance:</b><br><ul style="list-style-type: none"><li>Paxon confirmed by interview of HW's Operations Manager that he does not recall any person making an application with the State Administrative Tribunal, as provided for in section 87(2) of the Act, during the Audit Period.</li></ul>   |                             |
| 20   | 90(7)                   | 3.1.1                              | 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. | 5                                | <b>Controls:</b><br><ul style="list-style-type: none"><li>Paxon could not find any direct reference to the stipulations of section 90(7) of the Act in the HW Manuals; and</li><li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li></ul><br><b>Compliance:</b><br><ul style="list-style-type: none"><li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not give a compliance notice to any person who was undertaking construction or carrying out similar works in the vicinity of water service works; and</li><li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with section 90(7) of the Act.</li></ul> | D      NR                   |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |               | Ratings<br>(as per Table 8) |            |
|------------------|-------------------|---|--|--|---------------|-----------------------------|------------|
|                  |                   |   |  | Section Number   | Clause Number | Controls                    | Compliance |
| 22               | 96(1)             | 3.1.1 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 FESA, or the relevant local government as to the location and type of hydrant. | 4  | <b>Controls:</b> <ul style="list-style-type: none"><li>• Paxon could not find any direct reference to the stipulations of section 96(1) of the Act in the HW Manuals; and</li><li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li></ul> <b>Compliance:</b> <ul style="list-style-type: none"><li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not:<ul style="list-style-type: none"><li>○ Provide water supply reticulation works;</li><li>○ Enter into an agreement for the provision of water supply reticulation works; and</li><li>○ Receive any requirements from DFES, or the relevant local government as to the location and type of fire hydrant to be installed.</li></ul></li></ul> | D             | NR                          |            |
| 23               | 96(5)             | 3.1.1 The licensee must comply with requests made by FESA or a local government under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.   | 5  | <b>Controls:</b> <ul style="list-style-type: none"><li>• Paxon could not find any direct reference to the stipulations of section 96(5) of the Act in the HW Manuals; and</li><li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li></ul>   | D             | NR                          |            |

| No. <sup>2</sup> | Obligation Under:       |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|------------------------------------|---|--|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |   |  | Section Number   | Clause Number  | Controls                    | Compliance |
| 23<br>(cont.)    |                         |                                    |   |  |  | <b>Compliance:</b> <ul style="list-style-type: none"><li>See the compliance observations for obligation number 22 above.</li></ul> |                             |            |
| 28               | 119(2)                  | 3.1.1                              | The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).  | 4  | <b>Controls:</b> <ul style="list-style-type: none"><li>Paxon could not find any direct reference to the stipulations of section 119(2) of the Act in the HW Manuals; and</li><li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li></ul> <b>Compliance:</b> <ul style="list-style-type: none"><li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not give a compliance notice in relation to the matters set out in section 119(1) of the Act.</li></ul> | D  | NR                          |            |
| 29               | 122(2)                  | 3.1.1                              | 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  | <b>Controls:</b> <ul style="list-style-type: none"><li>Paxon could not find any direct reference to the stipulations of section 122(2) of the Act in the HW Manuals; and</li><li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li></ul> <b>Compliance:</b> <ul style="list-style-type: none"><li>Paxon confirmed by interview of HW's Operations Manager that he has no knowledge of</li></ul>   | D  | NR                          |            |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to 5 = Low)  | Observations and Recommendations |   | Ratings<br>(as per Table 8) |            |
|--|------------------------------------|----------------|--|----------------------------------|---|-----------------------------|------------|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number  |                                  |   | Controls                    | Compliance |
| 29<br>(cont.)  |                                    |                |  |                                  | any person making an application to the State Administrative Tribunal under section 122(1) of the Act, during the Audit Period.   |                             |            |
| 31   | 128(4)                             | 3.1.1          | 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                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined HW's "<i>Caveat Checklist</i>". This checklist states:<br/><i>"Caveats are lodged against customers who have taken the 5 year deferred payment option on new connections or they have not been paying their account (Bad Debtor) and we need to protect Harvey Water's Interest."</i></li> <li>Paxon also examined HW's caveat's register. Paxon notes this register discloses all withdrawn caveats by highlighting them in yellow. The register also records the date and a number for withdrawn caveats.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon examined HW's caveat register and found: <ul style="list-style-type: none"> <li>Less than twenty percentage of the recorded caveats are still active; and</li> <li>The active caveats, with few exceptions, represent the latest caveats registered.</li> </ul> </li> </ul> | A                           | 1          |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  |               | Ratings<br>(as per Table 8) |            |
|------------------|-------------------|---|--|---|---------------|-----------------------------|------------|
|                  |                   |   |  | Section Number  | Clause Number | Controls                    | Compliance |
| 32               | 129(5)            | 3.1.1 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  | <b>Controls:</b> <ul style="list-style-type: none"><li>• Paxon examined HW's "<i>Customer Service Charter</i>" which states in section 3.3:<br/><i>"...because of the nature of irrigation operations, and the frequent need to enter onto our customers' properties, we are not always able to advise of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present we will leave a calling card or send an SMS message to advise of our visit.";</i> and</li><li>• Paxon examined RWS's "<i>Customer Service Charter</i>" which states in section 4.3:<br/><i>"...because of the nature of operations, and the need to enter onto our customers' properties, we are not always able to advise you of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present we will leave a calling card or send an SMS message to advise you of our visit."</i></li></ul> <b>Compliance:</b> <ul style="list-style-type: none"><li>• Paxon confirmed by interview of HW's Operations Manager that:<ul style="list-style-type: none"><li>○ It is customary for HW to provide at least 48 hours' notice of a proposed entry; and</li></ul></li></ul> | D             | NR                          |            |

| No. <sup>2</sup> Obligation Under: |                                    | Summary Description of Obligation | Audit Priority Rating:<br>(1 = High to<br>5 = Low)   | Observations and Recommendations  |   | Ratings<br>(as per Table 8) |
|------------------------------------|------------------------------------|-----------------------------------|--|---|---|-----------------------------|
| Water Services Act 2012            | Water Services Licence – Version 7 | Section Number                    | Clause Number  |   |   | Controls      Compliance    |
| 32<br>(cont.)                      |                                    |                                   |  | <ul style="list-style-type: none"> <li>○ No instances took place, during the Audit Period, where routine inspection or maintenance was anticipated to cause disruption to the occupants of a place. Thus, HW had no obligation to give 48 hours' advance notice of a proposed entry to a place.</li> </ul> <p><b>Recommendation 3/2020:</b></p> <ul style="list-style-type: none"> <li>• HW should update both its "<i>Customer Service Charter</i>" and RWS's "<i>Customer Service Charter</i>" to record its obligation in terms of section 129(5) of the Act. Both charters should record the obligation to give 48 hours' notice of proposed entry in instances where a routine inspection or maintenance is likely to cause disruption to the occupants of a place.</li> </ul> |   |                             |
| 33                                 | 139(3)                             | 3.1.1                             | 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. | 5   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon examined HW's "<i>Customer Service Charter</i>" which states in section 3.2: "<i>We will respect assets and operations of our customers' properties and "leave as found" all gates and fences on private land.</i>";</li> <li>• Paxon examined RWS's "<i>Customer Service Charter</i>" which states in section 4.2:</li> </ul> | D      NR                   |

| No. <sup>2</sup> | Obligation Under:       | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low)  | Observations and Recommendations   | Ratings<br>(as per Table 8)   |
|------------------|-------------------------|------------------------------------|--|--|---|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |  | Controls      Compliance  |
|                  | Section Number          | Clause Number                      |  |  |   |
| 33<br>(cont.)    |                         |                                    |  | <p><i>"We will respect assets and operations of our customers' properties and "leave as found" all gates and fences on private land.";</i> and</p> <ul style="list-style-type: none"> <li>Paxon does not believe these charter provisions acknowledge HW's obligations in terms of section 139(3) of the Act.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not remove or erect a fence or gate whilst exercising a works power conferred by the Act.</li> </ul> <p><b>Recommendation 4/2020:</b></p> <ul style="list-style-type: none"> <li>HW should update both its <i>"Customer Service Charter"</i> and RWS's <i>"Customer Service Charter"</i> to record its obligations in terms of section 139(3) of the Act. Both charters should record the obligation to take all reasonable steps to give the owner prior notice if the licensee plans to remove or erect a fence or gate when exercising a works power conferred by the Act.</li> </ul> |   |
| 34               | 141(1)                  | 3.1.1                              | In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of section 141(1) of the Act in the HW Manuals; and</li> </ul> |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  |   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------|---|--|---|---|-----------------------------|------------|
|                  |                   |   |  | Section Number  | Clause Number   | Controls                    | Compliance |
| 34<br>(cont.)    |                   | give at least 48 hours' notice to the public authority managing the road. |  |   | <ul style="list-style-type: none"> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon was informed by HW's Works Manager that, during the Audit Period, HW did not carry out road work that involved breaking the surface of the road or caused major obstruction to road traffic; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with section 141(1) of the Act.</li> </ul> |                             |            |
| 35               | 142               | 3.1.1   | 4  | 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 under section 148. | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of sections 142, 143(2), 143(3), 144(3), 145(2), 147(3) and 147(4) of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for compliance obligation 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not carry out major works.</li> </ul>             | D                           | NR         |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations |  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------|--|--|----------------------------------|--|-----------------------------|------------|
|                  |                   |  |  | Water Services Act 2012          | Water Services Licence – Version 7   | Controls                    | Compliance |
|                  |                   |  |  | Section Number                   | Clause Number  |                             |            |
| 36               | 143(2)            | 3.1.1 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  |                                  | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 35 above.</li> </ul> | D                           | NR         |
| 37               | 143(3)            | 3.1.1 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  |                                  | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 35 above.</li> </ul> | D                           | NR         |
| 38               | 144(3)            | 3.1.1 The licensee must have regard to an objection or submission lodged within the relevant period.   | 4  |                                  | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 35 above.</li> </ul> | D                           | NR         |
| 39               | 145(2)            | 3.1.1 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 who is likely to be adversely affected by those alterations. | 4  |                                  | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 35 above.</li> </ul> | D                           | NR         |
| 40               | 147(3)            | 3.1.1 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  |                                  | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 35 above.</li> </ul> | D                           | NR         |
| 41               | 147(4)            | 3.1.1 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  |                                  | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 35 above.</li> </ul> | D                           | NR         |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations |               | Ratings<br>(as per Table 8)  |            |   |
|------------------|-------------------|---|--|----------------------------------|---------------|--|------------|---|
|                  |                   |   |  | Section Number                   | Clause Number | Controls   | Compliance |   |
| 42               | 151(1)            | 3.1.1 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  |                                  |               | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of sections 151(1), 151(2), 152(3) and 153(3) of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW carried out two pipe extensions to the existing system, namely for: <ul style="list-style-type: none"> <li>Kemerton Strategic Industrial Area; and</li> <li>Extension of Dorsett Road pipe project.</li> </ul> </li> <li>Paxon was provided with the following documents for the Kemerton Strategic Industrial Area project: <ul style="list-style-type: none"> <li>A completed "<i>Application for Development Approval</i>" (Shire of Harvey document);</li> <li>Letter from the Shire of Harvey, dated 27/06/2018, approving the development;</li> <li>"<i>Construction – Environmental Management Plan: Work Method Statement</i>"; and</li> <li>Licence from Landcorp to enter and use an area.</li> </ul> </li> </ul> | D          | 1 |

| No. <sup>2</sup> Obligation Under: |                                    | Summary Description of Obligation |   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  |   | Ratings<br>(as per Table 8) |
|------------------------------------|------------------------------------|-----------------------------------|---|--|---|---|-----------------------------|
| Water Services Act 2012            | Water Services Licence – Version 7 | Section Number                    | Clause Number   |  |   |   | Controls      Compliance    |
| 42<br>(cont.)                      |                                    |                                   |   |  | <ul style="list-style-type: none"> <li>• Paxon was provided with the following documents for the Dorsett Road pipe project:           <ul style="list-style-type: none"> <li>○ A completed "Application for Planning Consent" (Shire of Waroona document);</li> <li>○ Letter from the Shire of Waroona, dated 28/02/2018, approving the application for planning consent for installing the pipeline in firebreaks and the road reserve;</li> <li>○ Maps of the Dorsett Road extension;</li> <li>○ "Traffic Management Plan", as prepared by Traffic Force; and</li> <li>○ Sample of endorsements by property owners regarding entry onto their properties for purposes of the Dorsett Road extension.</li> </ul> </li> </ul> |   |                             |
| 43                                 | 151(2)                             | 3.1.1                             | 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  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• See the controls observations for obligation number 42 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• See the compliance observations for obligation number 42 above; and</li> <li>• However, Paxon could not find any references in the documents presented for Audit purposes to the following:</li> </ul>   | D | 3                           |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                         |                                    | Audit Priority Rating:<br>(1 = High to<br>5 = Low)   | Observations and Recommendations   |  | Ratings<br>(as per Table 8) |
|--|-------------------------|------------------------------------|--|--|--|-----------------------------|
|  | Water Services Act 2012 | Water Services Licence – Version 7 |  |  |  | Controls      Compliance    |
|  | Section Number          | Clause Number                      |  |  |  |                             |
| 43<br>(cont.)  |                         |                                    |  | <ul style="list-style-type: none"> <li>○ Inspection time and places for plans and details;</li> <li>○ Information on methods and places for lodging objections or submissions; and</li> <li>○ Date by which HW must receive objections to or submissions in relation to the proposal.</li> </ul> |  |                             |
| 44   | 152(3)                  | 3.1.1                              | The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).   | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• See the controls observations for obligation number 42 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period no objection or submission was lodged regarding general works; and</li> <li>• Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with section 152(3) of the Act.</li> </ul> | D      NR                   |
| 45   | 153(3)                  | 3.1.1                              | 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 who is likely to be adversely affected by those alterations. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• See the controls observations for obligation number 42 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit</li> </ul>   | D      NR                   |

| No. <sup>2</sup> | Obligation Under:       |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|------------------------------------|---|--|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |   |  | Section Number   | Clause Number  | Controls                    | Compliance |
| 45<br>(cont.)    |                         |                                    |   |  |  | Period, HW made no alterations to plans or details regarding general works; and  |                             |            |
|                  |                         |                                    |   |  |  | <ul style="list-style-type: none"> <li>• Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with section 153(3) of the Act.</li> </ul> |                             |            |
| 46               | 166(5)                  | 3.1.1                              | 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  | <b>Controls:</b> <ul style="list-style-type: none"> <li>• Paxon could not find any direct reference to the stipulations of sections 166(5) and 166(6) of the Act in the HW Manuals; and</li> <li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <b>Compliance:</b> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW was not advised by the Minister that an interest in land was appropriate to its needs; and</li> <li>• Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with sections 166(5) and 166(6) of the Act.</li> </ul> | D  | NR                          |            |
| 47               | 166(6)                  | 3.1.1                              | Any costs incurred in taking an interest in land are to be paid by the licensee.  | 4  | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 46 above.</li> </ul>   |  | D                           | NR         |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  |               | Ratings<br>(as per Table 8) |            |
|------------------|-------------------|--|--|---|---------------|-----------------------------|------------|
|                  |                   |  |  | Section Number  | Clause Number | Controls                    | Compliance |
| 49               | 173(4)            | 3.1.1 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  | <b>Controls:</b> <ul style="list-style-type: none"><li>Paxon examined HW's "Customer Service Charter" which states in section 3.3:<br/><i>"We will provide written notice of entry at least 14 days in advance when it is necessary to enter onto private land for planned major construction works. However, because of the nature of irrigation operations, and the frequent need to enter onto our customers' properties, we are not always able to advise of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present we will leave a calling card or send an SMS message to advise of our visit.";</i></li><li>Paxon examined RWS's "Customer Service Charter" which states in section 4.3:<br/><i>"We will provide written notice of entry at least 14 days in advance when it is necessary to enter onto private land for planned major construction works. However, because of the nature of operations, and the need to enter onto our customers' properties, we are not always able to advise you of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present we will leave a calling card"</i></li></ul> | C             | NR                          |            |

| No. <sup>2</sup> | Obligation Under:       | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |
|------------------|-------------------------|------------------------------------|--|--|-----------------------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |  | Controls      Compliance    |
|                  | Section Number          | Clause Number                      |  |  |                             |
| 49<br>(cont.)    |                         |                                    |  | <p>or send an SMS message to advise you of our visit.”;</p> <p>and</p> <ul style="list-style-type: none"> <li>Paxon believes these two Charter references do not comply with the stipulations of either sections 173(4) or 174(1) of the Act.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW: <ul style="list-style-type: none"> <li>Did not anticipate entering a place for the purposes of doing works which was likely to cause disruption to the occupants of the place or likely to adversely affect the place; and</li> <li>Thus, was not required to give 48 hours' notice of such proposed entry to a place to the occupier or owner.</li> </ul> </li> </ul> <p><b>Recommendation 5/2020:</b></p> <ul style="list-style-type: none"> <li>HW should update both its “Customer Service Charter” and RWS’s “Customer Service Charter” to record its obligations in terms of section 173(4) of the Act. Both charters should record the obligations to give 48 hours’ written notice of proposed entry to a place for doing works, when it is anticipated such entry would be likely to: <ul style="list-style-type: none"> <li>Cause disruption to the occupants of the place; or</li> </ul> </li> </ul> |                             |

| No. <sup>2</sup> | Obligation Under:       |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  |  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|------------------------------------|---|--|---|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |   |  | Section Number  | Clause Number  | Controls                    | Compliance |
| 49<br>(cont.)    |                         |                                    |   |  |   | <ul style="list-style-type: none"> <li>○ Adversely affect the place.</li> <li>● HW should update both its "<i>Customer Service Charter</i>" and RWS's "<i>Customer Service Charter</i>" to record its obligations in terms of section 174(1) of the Act. Both charters should record the obligation to provide written notice and to set out the purpose of the entry, including (if applicable) any work proposed to be carried out.</li> </ul> |                             |            |
| 50               | 174(1)                  | 3.1.1                              | 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  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>● See the controls findings for obligation number 49 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>● Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW informed property owners or occupiers of proposed entry to a place for doing works (emergencies excluded) by means of: <ul style="list-style-type: none"> <li>○ Telephone conversations;</li> <li>○ Face to face meetings;</li> <li>○ E-mails;</li> <li>○ SMS; or</li> <li>○ Other written notice.</li> </ul> </li> </ul> <p>Thus, notice was not given in writing in all instances;</p> | C  | 2                           |            |

| No. <sup>2</sup> | Obligation Under:       | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low)   | Observations and Recommendations   | Ratings<br>(as per Table 8)   |
|------------------|-------------------------|------------------------------------|---|--|---|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |   |  | Controls      Compliance  |
|                  | Section Number          | Clause Number                      |   |  |   |
| 50<br>(cont.)    |                         |                                    |   | <ul style="list-style-type: none"> <li>Paxon was informed by HW's Operations Manager that, during the Audit Period, HW did give 14 days' written notice of proposed entry to a place for purposes of the extension of the Dorsett Road pipe project; and</li> <li>Paxon confirmed the 14 days' written notice against a sample of endorsements by property owners regarding entry onto their properties for purposes of the Dorsett Road extension.</li> </ul> <p><b>Recommendation 6/2020:</b></p> <ul style="list-style-type: none"> <li>HW should in all instances give notice of entry to a place in writing. The timing of such notice is dependent on the reason for entry being: <ul style="list-style-type: none"> <li>Section 173(4): in relation to entry to a place for the purposes of doing works, in the circumstances specified - 48 hours' prior to proposed entry to a place to the occupier or owner; and</li> <li>Section 174(3): entry of a place without having to give notice - when practicable, and when it will not compromise the reason for entry.</li> </ul> </li> </ul> |   |
| 51               | 174(3)                  | 3.1.1                              | 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 | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of section 174(3) of the Act in the HW Manuals; and</li> </ul> |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |   | Ratings<br>(as per Table 8) |
|--|------------------------------------|----------------|--|--|---|-----------------------------|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number                                      |  |   | Controls      Compliance    |
| 51<br>(cont.)  |                                    |                |  | practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier  | <ul style="list-style-type: none"> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>See the compliance findings for obligation number 50 above; and</li> <li>See Recommendation 6/2020 as made for obligation number 50 above.</li> </ul>   |                             |
| 54   | 176(1)                             | 3.1.1          |  | 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. | <p>4</p> <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of section 176(1) of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, no owner or occupier refused or withdrawn their consent for HW's presence in a place; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with section 176(1) of the Act.</li> </ul> | D      NR                   |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |                                    | Ratings<br>(as per Table 8) |            |
|------------------|-------------------|--|--|--|------------------------------------|-----------------------------|------------|
|                  |                   |  |  | Water Services Act 2012  | Water Services Licence – Version 7 | Controls                    | Compliance |
| Section Number   | Clause Number     |  |  |  |                                    |                             |            |
| 55               | 176(3)            | 3.1.1 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  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of sections 176(3) and 176(4) of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW was not asked to produce their certificate of authority; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with sections 176(3) and 176(4) of the Act.</li> </ul> | D                                  | NR                          |            |
| 56               | 176(4)            | 3.1.1 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  | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation number 55 above.</li> </ul>   | D                                  | NR                          |            |
| 57               | 181               | 3.1.1 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.                                   | 5  | <p><b>Controls and Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon examined a sample of "<i>Notice of Entry</i>" forms (Entry Forms) issued by HW to owners or occupiers of properties, regarding the Dorsett Road pipe project. Paxon found the Entry Forms:</li> </ul>  | A                                  | NR                          |            |

| No. <sup>2</sup> | Obligation Under: | Summary Description of Obligation | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  |               | Ratings<br>(as per Table 8)  |            |    |
|------------------|-------------------|-----------------------------------|--|---|---------------|--|------------|----|
|                  |                   |                                   |  | Section Number  | Clause Number | Controls   | Compliance |    |
| 57<br>(cont.)    |                   |                                   |  |   |               | <ul style="list-style-type: none"> <li>○ Provided for owners of occupiers to record: <i>“any issues that you may wish to discuss prior to our proceeding with the works”</i>; and</li> <li>○ States: <i>“It is our intention to create minimum disturbance to yourself and your property”</i>.</li> </ul> <ul style="list-style-type: none"> <li>● Paxon confirmed by interview of HW's Customer Relations Coordinator that, during the Audit Period, HW did not receive any requests from owners or occupiers to limit interference with the lawful activities of the owner or occupier.</li> </ul>   |            |    |
| 58               | 186               | 3.1.1                             | 4  | If the licensee applies for a warrant, the application must contain the prescribed information. |               | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>● Paxon could not find any direct reference to the stipulations of sections 186, 187(1) to (3), 190(4) and 190(5) of the Act in the HW Manuals; and</li> <li>● See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>● Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not make an application for, or executed any warrant; and</li> <li>● Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with</li> </ul> | D          | NR |

| No. <sup>2</sup> | Obligation Under:       |                                    | Audit Priority Rating:<br>(1 = High to<br>5 = Low)   | Observations and Recommendations |  | Ratings<br>(as per Table 8) |    |
|------------------|-------------------------|------------------------------------|--|----------------------------------|--|-----------------------------|----|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |                                  |  |                             |    |
|                  | Section Number          | Clause Number                      |  | Controls                         | Compliance   |                             |    |
| 58<br>(cont.)    |                         |                                    |  |                                  | sections 186, 187(1) to (3), 190(4) and 190(5) of the Act.   |                             |    |
| 59               | 187(1) – (3)            | 3.1.1                              | 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                                | • See the controls and compliance observations for obligation number 58 above.   | D                           | NR |
| 60               | 190(4)                  | 3.1.1                              | 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                                | • See the controls and compliance observations for obligation number 58 above.   | D                           | NR |
| 61               | 190(5)                  | 3.1.1                              | On completing the execution of a warrant the licensee must record the prescribed information on that warrant.  | 4                                | • See the controls and compliance observations for obligation number 58 above.   | D                           | NR |
| 62               | 210(5)                  | 3.1.1                              | 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                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of section 210(5) of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit</li> </ul> | D                           | NR |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to<br>5 = Low)  | Observations and Recommendations |   | Ratings<br>(as per Table 8) |            |
|--|------------------------------------|----------------|---|----------------------------------|---|-----------------------------|------------|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number   |                                  |   | Controls                    | Compliance |
| 62<br>(cont.)  |                                    |                |   |                                  | Period, HW did not designate a person as an inspector or compliance officer; and  |                             |            |
|  |                                    |                |   |                                  | <ul style="list-style-type: none"> <li>• Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with section 210(5) of the Act.</li> </ul>  |                             |            |
| 63   | 218(2)                             | 3.1.1          | 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. | 5                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon examined a sample of "<i>Notice of Entry</i>" forms (Entry Forms) issued by HW to owners or occupiers of properties, regarding the Dorsett Road pipe project. Paxon found the Entry Forms states: "<i>It is our intention to create minimum disturbance to yourself and your property</i>";</li> <li>• However, Paxon could not find any direct references to 'damage or harm' as stipulated in section 218(2) of the Act in the HW Manuals; and</li> <li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW complied with the stipulations of section 218(2) of the Act.</li> </ul> <p><b>Recommendation 7/2020:</b></p> <ul style="list-style-type: none"> <li>• HW should update its "<i>Notice of Entry</i>" forms to refer appropriately to its obligations regarding causing as little damage and harm as is possible</li> </ul> | C                           | 1          |

| No. <sup>2</sup> Obligation Under: Summary Description of Obligation |                                    |                | Audit Priority Rating:<br>(1 = High to<br>5 = Low)   | Observations and Recommendations |   | Ratings<br>(as per Table 8) |            |
|--|------------------------------------|----------------|--|----------------------------------|---|-----------------------------|------------|
| Water Services Act 2012  | Water Services Licence – Version 7 | Section Number | Clause Number  |                                  |   | Controls                    | Compliance |
| 63<br>(cont.)  |                                    |                |  |                                  | during the exercise of a power under the Act, as stipulated in section 218(2) of the Act.   |                             |            |
| 64   | 218(3)                             | 3.1.1          | 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                                | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined a sample of "<i>Notice of Entry</i>" forms (Entry Forms) issued by HW to owners or occupiers of properties, regarding the Dorset Road pipe project. Paxon found the Entry Forms states:</li> <p style="padding-left: 20px;"><i>"We will reinstate any affected area to as near original condition as is reasonably practical. Upon completion of the works you will be asked to sign an acknowledgement that all work in the affected area has been reinstated satisfactorily."</i></p> <li>However, Paxon could not find any direct references to 'pay compensation to the extent that it is not practicable to make good the damage' as stipulated in section 218(3) of the Act in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not cause any physical damage in the exercise of a works power or a power of entry; and</li> </ul> | C                           | NR         |

| No. <sup>2</sup> | Obligation Under:       | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  | Ratings<br>(as per Table 8) |
|------------------|-------------------------|------------------------------------|--|---|-----------------------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |   | Controls      Compliance    |
|                  | Section Number          | Clause Number                      |  |   |                             |
| 64<br>(cont.)    |                         |                                    |  | <ul style="list-style-type: none"> <li>• Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with section 218(3) of the Act.</li> </ul> <p><b>Recommendation 8/2020:</b></p> <ul style="list-style-type: none"> <li>• HW should update its “<i>Notice of Entry</i>” forms to refer appropriately to its obligations regarding paying compensation to the extent that it is not practicable to make good physical damage caused during exercising a works power or a power of entry.</li> </ul> |                             |

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA's: “*Water Compliance Reporting Manual – Water Services Act 2012 – May 2018*” (Numbers 2 to 64)]

| No. | Obligation Under:               |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High<br>to 5 =<br>Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |            |
|-----|---------------------------------|------------------------------------|---|---|--|-----------------------------|------------|
|     | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |   |  | Controls                    | Compliance |
|     | Regulation Number               | Clause Number                      |   |   |  |                             |            |
| 66  | 24(4)                           | 3.1.1                              | If the licensee gives a compliance notice to a person in respect of access to meters, the notice must specify the specified information.  | 4   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of regulation 24(4) of the Water Services Regulations 2013 (2013 Regulations) in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not give a compliance notice to a person in respect of access to meters; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with regulation 24(4) of the 2013 Regulations.</li> </ul> | D                           | NR         |
| 67  | 26(3)                           | 3.1.1                              | If the owner or occupier requests the licensee to test a meter, subject to the payment of the charge (if any) for testing that type of meter, the licensee must test the meter in accordance with the approved procedure. | 4   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined RWS's "Customer Service Charter" which states in section 4.9:</li> </ul> <p><i>"To request testing of the measuring device on your supply point please contact the Customer Services Officer at the Harvey Water office. A fee will be payable on each request and prior to your request being processed. If the Meter is found to be with in normal operating standards then all associated costs</i></p>   | C                           | NR         |

| No.           | Obligation Under:               | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations  | Ratings<br>(as per Table 8) |
|---------------|---------------------------------|------------------------------------|---|---|-----------------------------|
|               | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |   | Controls      Compliance    |
|               | Regulation Number               | Clause Number                      |   |   |                             |
| 67<br>(cont.) |                                 |                                    |   | <p><i>will be invoiced to the customer account. If the Meter is found to be faulty then the customer will be reimbursed”;</i></p> <ul style="list-style-type: none"> <li>Paxon examined HW’s “Customer Service Charter” but could not find any direct reference to the stipulations of regulation 26(3) of the 2013 Regulations; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW’s Operations Manager that, during the Audit Period, no owner or occupier requested HW to test a meter; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with regulations 26(3) and 26(5) of the 2013 Regulations.</li> </ul> |                             |
| 68            | 26(5)                           | 3.1.1                              | 4   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>See the controls observations for obligation 67 above regarding RWS’s “Customer Service Charter”. Paxon could not find any specific references to adjusting the: <ul style="list-style-type: none"> <li>Meter reading with which the owner or occupier is dissatisfied; and</li> </ul> </li> </ul>   | D      NR                   |

| No.           | Obligation Under:               | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |
|---------------|---------------------------------|------------------------------------|---|--|-----------------------------|
|               | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |  | Controls      Compliance    |
|               | Regulation Number               | Clause Number                      |   |  |                             |
| 68<br>(cont.) |                                 |                                    |   | <ul style="list-style-type: none"> <li>○ Water service charges based on that meter reading.</li> <li>● Paxon examined HW's "<i>Customer Service Charter</i>" but could not find any direct reference to the stipulations of regulation 26(5) of the 2013 Regulations; and</li> <li>● See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>● See the compliance observations for obligation number 67 above.</li> </ul> <p><b>Recommendation 9/2020:</b></p> <ul style="list-style-type: none"> <li>● Both HW and RWS should update their "<i>Customer Service Charters</i>" to refer appropriately to their obligations regarding water meter tests findings. Their "<i>Customer Service Charters</i>" should specifically refer to the obligations, in cases where meters are found to be faulty, to adjust: <ul style="list-style-type: none"> <li>○ Meter reading with which the owner or occupier is dissatisfied; and</li> <li>○ Water service charges based on that meter reading.</li> </ul> </li> </ul> |                             |

| No. | Obligation Under:               |                                    | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations  | Ratings<br>(as per Table 8) |            |
|-----|---------------------------------|------------------------------------|--|---|---|-----------------------------|------------|
|     | Water Services Regulations 2013 | Water Services Licence – Version 7 |  |   |   | Controls                    | Compliance |
|     | Regulation Number               | Clause Number                      |  |   |   |                             |            |
| 69  | 29(1)                           | 3.1.1                              | 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   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of regulation 29(1) of the 2013 Regulations in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, no developer was required to pay HW an infrastructure contribution in respect of a subdivided lot; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with regulation 29(1) of the 2013 Regulations.</li> </ul> | D                           | NR         |
| 74  | 60(2)                           | 3.1.1                              | 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 time specified in the notice. | 4   | <p><b>Control:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of regulation 60(2) of the 2013 Regulations in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul>   | D                           | NR         |

| No. | Obligation Under:               | Summary Description of Obligation  |   | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   |   | Ratings<br>(as per Table 8) |
|-----|---------------------------------|------------------------------------|---|---|--|---|-----------------------------|
|     | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |   |  |   | Controls      Compliance    |
|     | Regulation Number               | Clause Number                      |   |   |  |   |                             |
| 74  |                                 | (cont.)                            |   |   | <b>Compliance:</b><br><ul style="list-style-type: none"><li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not consider it necessary to alter the position of infrastructure in a road; and</li><li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with regulation 60(2) of the 2013 Regulations.</li></ul>   |   |                             |
| 75  | 63                              | 3.1.1                              | 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   | <b>Controls:</b><br><ul style="list-style-type: none"><li>Paxon could not find any direct reference to the stipulations of regulation 60(2) of the 2013 Regulations in the HW Manuals; and</li><li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li></ul><br><b>Compliance:</b><br><ul style="list-style-type: none"><li>Paxon confirmed by interview of HW's Customer Relations Coordinator that, during the Audit Period, HW:<ul style="list-style-type: none"><li>Minor road works occurred; and</li><li>Reinstatements were completed to a condition agreed between HW and the applicable local council.</li></ul></li></ul> | D | 1                           |

| No. | Obligation Under:          |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations  |            | Ratings<br>(as per Table 8) |  |
|-----|----------------------------|------------------------------------|---|---|---|------------|-----------------------------|--|
|     | Water Services Regulations | Water Services Licence – Version 7 |   |   |   |            |                             |  |
|     | Regulation Number          | Clause Number                      |   |   | Controls  | Compliance |                             |  |
| 76  | 65(1)                      | 3.1.1                              | The licensee must maintain records for all land in respect of which water service charges apply.              | 4   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of regulation 65(1) of the 2013 Regulations in the HW Manuals. However, as this obligation was only applicable to HW during the period 01/12/2016 to 13/12/2016, no recommendation is made.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Customer Relations Coordinator that, during the period 01/12/2016 to 13/12/2016, HW did maintain records for all land in respect of which water service charges apply; and</li> <li>Paxon examined a sample of "<i>Billing Entity Details Printout(s)</i>" for HW.</li> </ul> | D          | 1                           |  |
| 77  | 65(2)                      | 3.1.1                              | The records for all land in respect of which water service charges apply must contain prescribed information. | 4   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of regulation 65(2) of the 2013 Regulations in the HW Manuals.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon examined a sample of "<i>Billing Entity Details Printout(s)</i>" and "<i>Customer Details Printout(s)</i>" for HW and found it did record: <ul style="list-style-type: none"> <li>Description and situation of the land;</li> </ul> </li> </ul>   | D          | 2                           |  |

| No. | Obligation Under:               | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |
|-----|---------------------------------|------------------------------------|---|--|-----------------------------|
|     | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |  | Controls      Compliance    |
|     | Regulation Number               | Clause Number                      |   |  |                             |
| 77  |                                 | (cont.)                            |   | <ul style="list-style-type: none"> <li>○ The name and address of the owner of the land;</li> <li>○ The account number (if any);</li> <li>○ “Billing Type” - which is a classification relevant to the determination of a charge in respect of the land; and</li> <li>○ Other information HW requires for the determination of a charge in respect of the land.</li> <li>○ Paxon could not find any reference in the sampled documents to the amount of any charge that is unpaid.</li> </ul> <p><b>Explanation for not making a recommendation:</b></p> <ul style="list-style-type: none"> <li>• Regulation 65(2) was only applicable to HW during the period 01/12/2016 to 13/12/2016. Thus, no recommendation is made for the lack of controls and compliance for regulation 65(2) of the 2013 Regulations.</li> </ul> |                             |
| 78  | 65(4)                           | 3.1.1                              | 4   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon could not find any direct reference to the stipulations of regulation 65(4) of the 2013 Regulations in the HW Manuals.</li> </ul>   | D      NR                   |

| No. | Obligation Under:               | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |
|-----|---------------------------------|------------------------------------|---|--|-----------------------------|
|     | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |  | Controls      Compliance    |
|     | Regulation Number               | Clause Number                      |   |  |                             |
| 78  |                                 | (cont.)                            |   | <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>○ Paxon confirmed by interview of HW's Customer Relations Coordinator that, during the period 01/12/2016 to 13/12/2016, HW was not requested by any person to inspect the land records kept in respect of which water service charges apply; and</li> <li>○ Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with regulation 65(4) of the 2013 Regulations.</li> </ul> <p><b>Explanation for not making a recommendation:</b></p> <ul style="list-style-type: none"> <li>• Regulation 65(4) was only applicable to HW during the period 01/12/2016 to 13/12/2016. Thus, no recommendation is made for the lack of controls for regulation 65(4) of the 2013 Regulations.</li> </ul> |                             |
| 79  | 67                              | 3.1.1                              | 4   | <ul style="list-style-type: none"> <li>• Paxon examined HW's "Customer Service Charter" which states in section 4.1: "<i>Accounts issued will contain all the necessary information to enable our customers to identify the property and service being charged...</i>"; and</li> <li>• Paxon examined RWS's "Customer Service Charter" which states in section 5.1:</li> </ul>   | D      1                    |

| No.           | Obligation Under:               | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High<br>to 5 =<br>Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |
|---------------|---------------------------------|------------------------------------|---|--|-----------------------------|
|               | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |  | Controls      Compliance    |
|               | Regulation Number               | Clause Number                      |   |  |                             |
| 79<br>(cont.) |                                 |                                    |   | <p><i>"Invoices issued will contain all the necessary information to enable our customers to identify the property and service being charged..."</i>; and</p> <ul style="list-style-type: none"> <li>Paxon does not regard these references as an indication that land records were used as a basis to determine water service charges.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Customer Relations Coordinator that, during the period 01/12/2016 to 13/12/2016, the land records were used as a basis upon which HW determined the water service charges applicable for the period; and</li> <li>Paxon examined samples of tax invoices for both HW and RWS and found all recorded lot numbers and descriptions.</li> </ul> <p><b>Explanation for not making a recommendation:</b></p> <ul style="list-style-type: none"> <li>Regulation 67 was only applicable to HW during the period 01/12/2016 to 13/12/2016. Thus, no recommendation is made for the lack of controls for regulation 67 of the 2013 Regulations.</li> </ul> |                             |

| No. | Obligation Under:               |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |            |
|-----|---------------------------------|------------------------------------|---|---|--|-----------------------------|------------|
|     | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |   |  | Controls                    | Compliance |
|     | Regulation Number               | Clause Number                      |   |   |  |                             |            |
| 80  | 68(5)                           | 3.1.1                              | The licensee must consider an objection to the records maintained by a licensee under regulation 65 as soon as practicable. | 5   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined HW's "Customer Service Charter" and RWS's "Customer Service Charter". Paxon found both documents only referred to objection in general terms and not specifically with reference to objections regarding land records maintained by HW and RWS; and</li> <li>Paxon could not find any direct references to the stipulations of regulations 68(5), 68(6), 68(7), 68(8), 69(3), 70(2), 74(1) and 74(2) of the 2013 Regulations in the HW Manuals.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the period 01/12/2016 to 13/12/2016, no objections were made regarding land records maintained by HW; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with regulations 68(5), 68(6), 68(7), 68(8), 69(3), 70(2), 74(1) and 74(2) of the 2013 Regulations.</li> </ul> <p><b>Explanation for not making a recommendation:</b></p> <ul style="list-style-type: none"> <li>Regulations 68(5), 68(6), 68(7), 68(8), 69(3), 70(2), 74(1) and 74(2) of the 2013 Regulations</li> </ul> | D                           | NR         |

| No.           | Obligation Under:               |                                    | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   |  | Ratings<br>(as per Table 8) |            |
|---------------|---------------------------------|------------------------------------|--|---|--|--|-----------------------------|------------|
|               | Water Services Regulations 2013 | Water Services Licence – Version 7 |  |   | Regulation Number  | Clause Number  | Controls                    | Compliance |
| 80<br>(cont.) |                                 |                                    |  |   |  | were only applicable to HW during the period 01/12/2016 to 13/12/2016. Thus, no recommendation is made for the lack of controls for these regulations. |                             |            |
| 81            | 68(6)                           | 3.1.1                              | The licensee must give the person by whom the objection was made written notice of the licensee's decision on the objection together with a brief statement of the licensee's reasons for the decision.  | 4   | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 80 above.</li> </ul> |  | D                           | NR         |
| 82            | 68(7)                           | 3.1.1                              | If the licensee disallows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person who objected of any consequent amendment of the records.                              | 4   | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 80 above.</li> </ul> |  | D                           | NR         |
| 83            | 68(8)                           | 3.1.1                              | If the licensee allows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person of the time within which and the manner in which a review of the decision may be sought. | 4   | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 80 above.</li> </ul> |  | D                           | NR         |
| 84            | 69(3)                           | 3.1.1                              | Upon receipt of a notice from a person dissatisfied with a decision of the licensee on an objection, the licensee must promptly refer the relevant records to the State Administrative Tribunal for a review.  | 4   | <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 80 above.</li> </ul> |  | D                           | NR         |

| No. | Obligation Under:          |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   |            | Ratings<br>(as per Table 8) |  |
|-----|----------------------------|------------------------------------|---|---|--|------------|-----------------------------|--|
|     | Water Services Regulations | Water Services Licence – Version 7 |   |   |  |            |                             |  |
|     | Regulation Number          | Clause Number                      |   |   | Controls   | Compliance |                             |  |
| 85  | 70(2)                      | 3.1.1                              | Upon receipt of a notice from a person dissatisfied with a decision of the licensee to refuse to extend the time for giving an objection to the licensee or a notice under regulation 69(2), the licensee must promptly refer the decision to the State Administrative Tribunal for a review. | 4   | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation number 80 above.</li> </ul>   | D          | NR                          |  |
| 86  | 74(1)                      | 3.1.1                              | The licensee must make any amendment of the records necessary as a consequence of an allowance, wholly or in part, of an objection under the Act or the <i>Valuation of Land Act 1978</i> or as a consequence of a review by the State Administrative Tribunal.                               | 4   | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation number 80 above.</li> </ul>   | D          | NR                          |  |
| 87  | 74(2)                      | 3.1.1                              | The licensee must, if necessary as a consequence of the amendment to the records under regulation 74(1) re-determine and if necessary provide a rebate or refund.   | 4   | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation number 80 above.</li> </ul>   | D          | NR                          |  |
| 88  | 75(1)                      | 3.1.1                              | If a person is liable, under an agreement with the owner of land, for payment of the water service charges in respect of certain land, the person is entitled to receive from the licensee all information necessary for the person to assess his or her liability under the agreement.       | 4   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined HW's "<i>Customer Service Charter</i>" and RWS's "<i>Customer Service Charter</i>". Paxon could not find specific references within these charters to the stipulations of regulation 75(1) of the 2013 Regulations; and</li> <li>Paxon could not find any direct reference to the stipulations of regulation 75(1) of the 2013 Regulations in the HW Manuals. However, as</li> </ul> | D          | NR                          |  |

| No.           | Obligation Under:               |                                    | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |               |
|---------------|---------------------------------|------------------------------------|--|---|--|-----------------------------|---------------|
|               | Water Services Regulations 2013 | Water Services Licence – Version 7 |  |   |  | Regulation Number           | Clause Number |
| 88<br>(cont.) |                                 |                                    |  |   | these obligations were only applicable to HW during the period 01/12/2016 to 13/12/2016, no recommendation is made.  | Controls                    | Compliance    |
| 89            | 85                              | 3.1.1                              | 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   | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of regulation 85 of the 2013 Regulations in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not issue compliance notices; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test</li> </ul> | D                           | NR            |

| No.           | Obligation Under:               | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High<br>to 5 =<br>Low) | Observations and Recommendations                       | Ratings<br>(as per Table 8) |
|---------------|---------------------------------|------------------------------------|---|--|-----------------------------|
|               | Water Services Regulations 2013 | Water Services Licence – Version 7 |   |  | Controls      Compliance    |
|               | Regulation Number               | Clause Number                      |   |  |                             |
| 89<br>(cont.) |                                 |                                    |   | compliance with regulation 85 of the 2013 Regulations. |                             |

**Table 10: Audit Observations and Recommendations**

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" (numbers 73 and 76 to 88)]

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (all other numbers in this Table section)]

| No. | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation  | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   |            | Ratings (as per Table 8) |
|-----|---|--|--|--|------------|--------------------------|
|     |   |  |  | Controls   | Compliance |                          |
| 155 | 3.2.1   | The licensee must pay the applicable fees and charges in accordance with the applicable regulations.   | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of clause 3.2.1 of WL31 in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon examined a sample of ERA tax invoices against HW's payment records. Paxon found several tax invoices were not paid within 30 days from the date of issue (in compliance with regulation 4 (4) of the Economic Regulation Authority (Licensing Funding) Regulations 2014).</li> </ul> <p><b>Recommendation 10/2020:</b></p> <ul style="list-style-type: none"> <li>HW should ensure that it pays the ERA's fees and charges within 30 days from the date of the notice containing those liabilities.</li> </ul> | D          | 2                        |
| 156 | 3.1.1   | Subject to any modifications or exemptions granted pursuant to the Act and this licence, the licensee must comply with any applicable legislation. | 4  | <p><b>Controls and Compliance:</b></p> <ul style="list-style-type: none"> <li>HW's compliance during the Audit Period, with the following legislative instruments is specifically addressed within this Report:</li> </ul>   | D          | 2                        |

| No.            | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   | Ratings (as per Table 8) |            |
|----------------|-------------------|---|--|--|--------------------------|------------|
|                |                   |   |  |  | Controls                 | Compliance |
| Clause Number  |                   |   |  |  |                          |            |
| 156<br>(cont.) |                   |   |  | <ul style="list-style-type: none"> <li>• Water Services Act 2012 (see obligation numbers within the range from 2 to 64 and 155 to 190);</li> <li>• Water Services Regulations 2013 (see obligation numbers within the range from 65 to 89); and</li> <li>• Water Services Licence, WL31, version 7 (see obligation numbers within the range from 155 to 190).</li> <li>• Recommendations for individual obligations, as considered appropriate, were made and are disclosed within this Report.</li> </ul> |                          |            |
| 159            | 3.1.2             | The licensee must comply with a direction from the ERA in relation to a breach of applicable legislation. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon could not find any direct reference to the stipulations of clause 3.1.2 of WL31 in the HW Manuals; and</li> <li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit</li> </ul>  | D                        | NR         |

| No.            | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   | Ratings (as per Table 8) |   |
|----------------|-------------------|---|--|--|--------------------------|---|
|                | Clause Number     |   |  |  | Controls      Compliance |   |
| 159<br>(cont.) |                   |   |  | Period, HW did not receive an ERA direction in relation to a breach of applicable legislation.   |                          |   |
| 160            | 3.6.1             | The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of clause 3.6.1 of WL31 in the HW Manuals; and</li> <li>See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon examined the "<i>Independent Auditor's Report</i>" on the 2016-2017 financial report for HW which stated:<br/><i>"In our opinion, the accompanying financial report of the co-operative is in accordance with the Co-operatives Act 2009, including: ... (ii) complying with Australian Accounting Standards and the Co-operatives Regulations 2010."</i>;</li> <li>Paxon examined the "<i>Independent Auditor's Report</i>" on the 2017-2018 financial report for HW which stated:<br/><i>"In our opinion, the accompanying financial report of the co-operative is in accordance with the Co-</i></li> </ul> | D                        | 1 |

| No.            | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   | Ratings (as per Table 8) |
|----------------|-------------------|---|--|--|--------------------------|
|                | Clause Number     |   |  |  | Controls      Compliance |
| 160<br>(cont.) |                   |   |  | <p><i>operatives Act 2009, including: ...ii) complying with Australian Accounting Standards and the Co-operatives Regulations 2010.”; and</i></p> <ul style="list-style-type: none"> <li>• Paxon examined the “<i>Independent Auditor’s Report</i>” on the 2018-2019 financial report for HW which stated:</li> <li>• “<i>In our opinion, the accompanying financial report of the co-operative is in accordance with the Co-operatives Act 2009, including: ...ii) complying with Australian Accounting Standards and the Co-operatives Regulations 2010.”</i></li> </ul> |                          |
| 161            | 4.2.1             | The licensee must comply with any individual performance standards prescribed by the ERA. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon examined the HW policy entitled: “<i>Organisational Reporting &amp; Communication Requirements</i>” which includes an appropriate reference to the stipulations of clause 4.2.1 of WL31.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon examined “<i>Schedule 2 – Performance standards</i>” as included in WL31, version 7. Paxon found Schedule 2 stipulates the following performance standards:</li> </ul>   | A      1                 |

| No.            | Obligation Under:  | Summary Description of Obligation | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   | Ratings (as per Table 8) |
|----------------|--|-----------------------------------|--|--|--------------------------|
|                |  | Clause Number                     |  |  | Controls      Compliance |
| 161<br>(cont.) | Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) |                                   |  | <ul style="list-style-type: none"> <li>○ “Irrigation Water Quality - &lt; 1,200mg/L TDS”; and</li> <li>○ “Percentage of customers given 5 days notice of a planned interruption - &gt; 90%”.</li> <li>● Paxon examined HW’s “Water Licence Performance Report” for 2016/2017 and found it recorded:           <ul style="list-style-type: none"> <li>○ “Quality of water provided (mg/L of dissolved solids)” for 5 dams with only the value for the Wellington dam (1,281) being greater than the set criterion of 1,280; and</li> <li>○ “Percentage of planned service interruptions with 5 business days’ notice of the interruption provided to affected customers – 100%”. Paxon regards the Wellington dam deviation from the set standard to be insignificant;</li> </ul> </li> <li>● Paxon examined HW’s “Water Licence Performance Report” for 2017/2018 and found it recorded:           <ul style="list-style-type: none"> <li>○ “Quality of water provided (mg/L of dissolved solids)” for 5 dams with only the value for</li> </ul> </li> </ul> |                          |

| No.            | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  | Ratings (as per Table 8) |
|----------------|-------------------|---|--|---|--------------------------|
|                | Clause Number     |   |  |   | Controls      Compliance |
| 161<br>(cont.) |                   |   |  | <p>the Wellington dam (1,292) being greater than the set criterion of 1,280; and</p> <ul style="list-style-type: none"> <li>○ <i>"Percentage of planned service interruptions with 5 business days' notice of the interruption provided to affected customers – 100%"</i>.</li> <li>Paxon regards the Wellington dam deviation from the set standard to be insignificant; and</li> <li>● Paxon examined HW's "Water Licence Performance Report" for 2018/2019 and found it recorded: <ul style="list-style-type: none"> <li>○ <i>"Quality of water provided (mg/L of dissolved solids)"</i> for 5 dams with all five dams recording values smaller than the set criterion of 1,280; and</li> <li>○ <i>Percentage of planned service interruptions with 5 business days' notice of the interruption provided to affected customers – 100%"</i>.</li> </ul> </li> </ul> |                          |
| 162            | 4.3.4             | The licensee must cooperate with the independent expert and comply with the ERA's standard audit guidelines dealing with the operational audit. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>○ Paxon examined the HW policy entitled: "Organisational Reporting &amp; Communication Requirements" which includes an appropriate</li> </ul>  | A      1                 |

| No.            | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation  | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   |  | Ratings (as per Table 8) |
|----------------|---|--|--|--|--|--------------------------|
|                |   |  |  | Controls   | Compliance   |                          |
| 162<br>(cont.) |   |  |  | reference to the stipulations of clause 4.3.4 of WL31.   |  |                          |
| 163            | 3.7.1(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 material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations. | 4  | <b>Controls:</b><br><br>• Paxon examined the "Harvey Water – Reporting & Communication Requirements" document which includes an appropriate reference to the stipulations of clauses 3.7.1 (a), (b) and (c) of WL31. | <b>Compliance:</b><br><br>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW: | A NR                     |

| No.            | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation   | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  |            | Ratings (as per Table 8) |
|----------------|---|---|--|---|------------|--------------------------|
|                |   |   |  | Controls  | Compliance |                          |
| 163<br>(cont.) |   |   |  | <ul style="list-style-type: none"> <li>○ Was not under external administration; and</li> <li>○ Did not experience a material change in the corporate, financial or technical circumstances upon which WL31 was granted, which materially affected its ability to meet its obligations under WL31.</li> </ul>  |            |                          |
| 165            | 3.8.1   | 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  | <b>Controls:</b> <ul style="list-style-type: none"> <li>• Paxon examined the "<i>Harvey Water – Reporting &amp; Communication Requirements</i>" document which includes an appropriate reference to the stipulations of clause 3.8.1 of WL31.</li> </ul> <b>Compliance:</b> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW was not requested by the ERA to provide specified information other than in terms of clauses 3.8.2 and 3.8.3 of WL31.</li> </ul> | A          | NR                       |
| 166            | 3.8.2   | The licensee must comply with any information reporting requirements prescribed by the ERA, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee.           | 4  | <b>Controls:</b> <ul style="list-style-type: none"> <li>• Paxon examined the "<i>Harvey Water – Reporting &amp; Communication Requirements</i>" document which includes an appropriate reference to the stipulations of clause 3.8.2 of WL31.</li> </ul>  | A          | 1                        |

| No.            | Obligation Under:  | Summary Description of Obligation | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  | Ratings (as per Table 8) |
|----------------|--|-----------------------------------|--|---|--------------------------|
|                |  | Clause Number                     |  |   | Controls      Compliance |
| 166<br>(cont.) | Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) |                                   |  | <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon examined HW's compliance report for 2016-2017 and found it recorded details of one non-compliance. This non-compliance referred to HW's obligation to provide the ERA with any required information in connection with the ERA's functions under the Act in the time, manner and form specified by the ERA;</li> <li>• Paxon found HW's 2016-2017 compliance report was submitted to the ERA by e-mail on 16/08/2017;</li> <li>• Paxon examined HW's compliance report for 2017-2018 which was a clean report (no non-compliances to report);</li> <li>• Paxon found HW's 2017-2018 compliance report was submitted to the ERA by e-mail on 20/08/2018;</li> <li>• Paxon examined HW's compliance report for 2018-2019 which was a clean report (no non-compliances to report); and</li> </ul> |                          |

| No.            | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation  | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   |            | Ratings (as per Table 8) |
|----------------|---|--|--|--|------------|--------------------------|
|                |   |  |  | Controls   | Compliance |                          |
| 166<br>(cont.) |   |  |  | <ul style="list-style-type: none"> <li>Paxon found HW's 2018-2019 compliance report was submitted to the ERA by e-mail on 9/08/2019.</li> </ul>  |            |                          |
| 167            | 3.8.3   | The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the <i>Water, Sewerage and Irrigation Licence Performance Reporting Handbook</i> , and the National Performance Framework that apply to the licensee. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined the "<i>Harvey Water – Reporting &amp; Communication Requirements</i>" document which includes an appropriate reference to the stipulations of clause 3.8.3 of WL31; and</li> <li>Paxon examined HW's "<i>Records Management</i>" policy which provides an appropriate framework for recordkeeping.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon examined HW's "<i>Water Licence Performance Report</i>" for 2016/2017 and found it recorded information applicable to irrigation services. Paxon notes the ERA's "<i>Water, Sewerage and Irrigation Licence Performance Reporting Handbook – May 2017</i>" states: "<i>There are currently no licence specific indicators that non-potable water service providers must report against.</i>";</li> </ul> | A          | 1                        |

| No.            | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation   | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  |            | Ratings (as per Table 8) |
|----------------|---|---|--|---|------------|--------------------------|
|                |   |   |  | Controls  | Compliance |                          |
| 167<br>(cont.) |   |   |  | <ul style="list-style-type: none"> <li>Paxon could not find any specific record to confirm the timely submission of HW's 2016-2017 performance report;</li> <li>Paxon examined HW's "Water Licence Performance Report" for 2017/2018 and found it recorded information applicable to both irrigators and small non-potable water providers;</li> <li>Paxon found HW's 2017-2018 performance report was submitted to the ERA by e-mail on 21/08/2018;</li> <li>Paxon examined HW's "Water Licence Performance Report" for 2018/2019 and found it recorded information applicable to both irrigators and small non-potable water providers; and</li> <li>Paxon found HW's 2018-2019 performance report was submitted to the ERA by e-mail on 09/08/2019.</li> </ul> |            |                          |
| 168            | 2.8.1 and 2.8.2   | Subject to clause 2.8.3, the licensee must publish within the specified timeframe any information that the ERA has directed the licensee to publish under clause 2.8.1. | 4  | <b>Controls:</b> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of clauses 2.8.1 and 2.8.2 of</li> </ul>  | D          | NR                       |

| No.            | Obligation Under:  | Summary Description of Obligation                           | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   | Ratings (as per Table 8) |
|----------------|--|---|--|--|--------------------------|
|                |  | Clause Number   |  |  | Controls      Compliance |
| 168<br>(cont.) | Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) |   |  | <p>WL31 in the HW Manuals; and</p> <ul style="list-style-type: none"> <li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW was not directed by the ERA to publish any information.</li> </ul>  |                          |
| 169            | 2.7.1  | Unless otherwise specified, all notices must be in writing. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• Paxon could not find any direct reference to the stipulations of clause 2.7.1 of WL31 in the HW Manuals; and</li> <li>• See Recommendations 1/2020 and 2/2020 as made for obligation number 4 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon found HW gave notices in writing during the Audit Period. Numerous examples, as referred to throughout this Audit Report, were sighted to support this statement.</li> </ul> | D      1                 |

| No. | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation  | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  |            | Ratings (as per Table 8) |
|-----|---|--|--|---|------------|--------------------------|
|     |   |  |  | Controls  | Compliance |                          |
| 171 | 4.1.2   | The licensee must notify the ERA of any material change to the asset management system within 10 business days of the change.                          | 4  | • See the findings for obligation number 7 above.   | D          | NR                       |
| 172 | 4.1.6   | The licensee must cooperate with the independent expert and comply with the ERA's standard guidelines dealing with the asset management system review. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon examined the HW policy entitled: "Organisational Reporting &amp; Communication Requirements" which includes an appropriate reference to the stipulations of clause 4.1.6 of WL31.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon examined the "Audit and Review Report" issued by Cardno, dated 20/03/2017 which states: <ul style="list-style-type: none"> <li>"The licensee has complied with all requests for information made by the auditor and has made its staff and resources freely available to assist the conduct of this audit."</li> <li>The licensee's staff have acted in a professional and helpful manner throughout this audit."</li> </ul> </li> </ul> | A          | 1                        |
| 173 | 5.5.1   | The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.          | 4  | ○ See the findings for compliance obligation number 15 above.   | D          | 1                        |

| No. | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation  | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  |            | Ratings (as per Table 8) |
|-----|---|--|--|---|------------|--------------------------|
|     |   |  |  | Controls  | Compliance |                          |
| 175 | 5.1.1   | If directed by the ERA, the licensee must submit a draft customer contract for approval. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>Paxon could not find any direct reference to the stipulations of clause 5.1.1, 5.1.3 and 5.1.5 of WL31 in the HW Manuals; and</li> <li>Paxon notes HW's Water Services Licence, WL 31, was amended with effect from 1/05/2020 (WL31, version 8). Section 5.1 of the amended licence records clauses regarding the asset management system (and not customer contracts as in the previous versions 6 and 7 of WL 31 which were applicable during the Audit Period). Paxon notes WL31, version 8 does not include any specific references to customer contracts.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW was not directed by the ERA to submit a draft customer contract for approval; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with clause 5.1.1 of WL31.</li> </ul> | D          | NR                       |

| No.            | Obligation Under: | Summary Description of Obligation  | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  | Ratings (as per Table 8) |    |
|----------------|-------------------|--|--|---|--------------------------|----|
|                |                   | Clause Number  |  | Controls  | Compliance               |    |
| 175<br>(cont.) |                   |  |  | <p><b>Explanation for not making a recommendation:</b></p> <ul style="list-style-type: none"> <li>• Thus, as WL31, Version 8 does not include any clauses regarding customer contracts, no recommendations are made for the lack of controls during the Audit Period regarding obligations 175, 177 and 178.</li> </ul>   |                          |    |
| 177            | 5.1.3             | The licensee may only amend the customer contract with the ERA's approval.             | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• See the controls observation and explanation for not making a recommendation for obligation number 175 above.</li> </ul> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not amend a customer contract; and</li> <li>• Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with clause 5.1.3 of WL31.</li> </ul> | D                        | NR |
| 178            | 5.1.5             | The licensee must comply with any direction by the ERA to amend the customer contract. | 4  | <p><b>Controls:</b></p> <ul style="list-style-type: none"> <li>• See the controls observation and explanation for not making a recommendation for</li> </ul>  | D                        | NR |

| No.            | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation  | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   | Ratings (as per Table 8) |            |
|----------------|---|--|--|--|--------------------------|------------|
|                |   |  |  |  | Controls                 | Compliance |
| 178<br>(cont.) |   |  |  | obligation number 175 above.<br><br><b>Compliance:</b> <ul style="list-style-type: none"><li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW was not directed by the ERA to amend a customer contract; and</li><li>• Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with clause 5.1.5 of WL31.</li></ul>   |                          |            |
| 179            | 5.3.1 and 5.3.2   | Unless clause 5.3.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i> without the prior approval of the ERA. | 4  | <b>Controls:</b> <ul style="list-style-type: none"><li>• Paxon could not find any direct reference to the stipulations of clauses 5.3.1, 5.3.2 and 5.3.4 of WL31 in the HW Manuals; and</li><li>• Paxon notes HW's Water Services Licence, WL 31, was amended with effect from 1/05/2020 (WL31, version 8). Section 5.3 of the amended licence records clauses regarding the operational audit (and not non-standard terms and conditions of service as in the previous versions 6 and 7 of WL 31 which were applicable during the Audit Period). Paxon notes WL31, version 8 does not include any</li></ul> | D                        | NR         |

| No.            | Obligation Under:  | Summary Description of Obligation | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations   | Ratings (as per Table 8) |
|----------------|--|-----------------------------------|--|--|--------------------------|
|                | Clause Number  |                                   |  |  | Controls      Compliance |
| 179<br>(cont.) | Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) |                                   |  | <p>specific references to non-standard terms and conditions of service.</p> <p><b>Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Customer Relations Coordinator that, during the Audit Period, HW did not enter into an agreement with a customer to provide water services which excluded, modified or restricted the terms and conditions of the licence or the requirements of the Code of Conduct; and</li> <li>Thus, as no activity took place during the Audit Period, Paxon was unable to test compliance with clauses 5.3.1, 5.3.2 and 5.3.4 of WL31.</li> </ul> <p><b>Explanation for not making a recommendation:</b></p> <ul style="list-style-type: none"> <li>Thus, as WL31, Version 8 does not include any clauses regarding non-standard terms and conditions of service, no recommendations are made for the lack of controls during the Audit Period regarding obligations 179 and 180.</li> </ul> |                          |

| No. | Obligation Under:<br><br>Water Services Licence - Version 7 and the Water Services Act 2012<br><br>(Section 12) | Summary Description of Obligation  | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  |            | Ratings (as per Table 8) |
|-----|---|--|--|---|------------|--------------------------|
|     |   |  |  | Controls  | Compliance |                          |
| 180 | 5.3.4   | If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i> , the licensee must publish an annual report containing the information specified. | 4  | <ul style="list-style-type: none"> <li>See the controls and compliance observations and the explanation for not making a recommendation for obligation number 179 above.</li> </ul> | D          | NR                       |
| 182 | 3.4.1(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  | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation number 4 above.</li> </ul>   | D          | 1                        |
| 190 | Schedule 2  | The licensee must comply with the service and performance standards as set out in Schedule 2.  | 4  | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation number 161 above.</li> </ul>   | A          | 1                        |

**Table 10: Audit Observations and Recommendations**

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 155 to 190)]

#### 4.4 Current Audit: Inadequate Controls, Non-Compliances and Recommendations

##### Current Audit: Inadequate Controls, Non-Compliances and Recommendations

###### A. Resolved During Current Audit Period

| Recommendation Reference<br>(no./year) | Licence Obligation Reference Number                  | Date Resolved and Action Taken by HW | Paxon's Comments |
|--|--|--------------------------------------|------------------|
|  | Controls and Compliance Rating                       |                                      |                  |
|  | Legislative Obligation                               |                                      |                  |
|  | Details of Inadequate Controls and/or Non-Compliance |                                      |                  |

There is no content in Part A.

Table 11: Current Audit: Inadequate Controls, Non-Compliances and Recommendations (Part A)

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)                      | Licence Obligation Reference Number   | Auditor's Recommendation   | HW Action Taken by End of Audit Period |
|---|---|--|--|
| <b>Controls and Compliance Rating</b>                       |   |  |  |
| <b>Legislative Obligation</b>                               |   |  |  |
| <b>Details of Inadequate Controls and/or Non-Compliance</b> |   |  |  |
| 1/2020  | <ul style="list-style-type: none"> <li>• Numbers: 4, 5, 7, 13, 15, 16, 18, 19, 20, 22, 23, 28, 29, 34, 35-41, 42-45, 46-47, 51, 54, 55, 56, 58-61, 62, 63, 64, 66, 67, 68, 69, 74, 75, 89, 155, 159, 160, 168, 169, 171, 173 and 182;</li> <li>• Ratings: as per Tables 9 and 10 of this Report;</li> <li>• Obligations: as per Tables 9 and 10 of this Report; and</li> <li>• Details for number 4: <ul style="list-style-type: none"> <li>○ Paxon examined the: <ul style="list-style-type: none"> <li>• South West Irrigation Management Cooperative Limited (SWIMCO) “Policy Manual”;</li> <li>• “Company Manual” for RWS; and</li> <li>• Other policy documents, procedure documents, plans and checklists.</li> </ul> </li> </ul> </li> </ul> <p>(Hereinafter referred to as the HW Manuals.)</p> <p>However, Paxon could not find a specific reference to the stipulations of section 22 of the Act in the HW Manuals; and</p> | <ul style="list-style-type: none"> <li>• HW should implement a compliance register which records all its obligations in terms of the Water services legislation. This register should identify, per individual compliance obligation, appropriate policy and procedure documents and responsible employees. The ERA’s document entitled: “Water Compliance Reporting Manual - Water Services Act 2012 – May 2018” may help HW in developing a framework for its own compliance register.</li> <li>• Zero.</li> </ul> |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year) | Licence Obligation Reference Number  | Auditor's Recommendation   | HW Action Taken by End of Audit Period                    |
|--|--|--|---|
|  | <b>Controls and Compliance Rating</b>  |  |   |
|  | <b>Legislative Obligation</b>  |  |   |
|  | <b>Details of Inadequate Controls and/or Non-Compliance</b>  |  |   |
| 1/2020<br>(continued)                  | <p><b>General observation across all compliance obligations:</b></p> <ul style="list-style-type: none"> <li>• HW was assessed to have had weak controls during the Audit Period to help ensure compliance with its WL obligations. Paxon's findings regarding the existence of controls for each individual compliance obligation are included within this Table; and</li> <li>• Paxon was informed by HW's Operations Manager that it will compile and implement a compliance schedule, based on the ERA's: "<i>Water Compliance Reporting Manual – Water Services Act 2012 – May 2018</i>" to help ensure compliance with its obligations in terms of the water services legislation.</li> </ul> |  |   |
| 2/2020                                 | <ul style="list-style-type: none"> <li>• Numbers: 4, 5, 7, 13, 15, 16, 18, 19, 20, 22, 23, 28, 29, 34, 35-41, 42-45, 46-47, 51, 54, 55, 56, 58-61, 62, 63, 64, 66, 67, 68, 69, 74, 75, 89, 155, 159, 160, 168, 169, 171, 173 and 182;</li> <li>• Ratings: as per Table 10 of this Report;</li> </ul>   | <ul style="list-style-type: none"> <li>• HW should ensure its policy and procedure documents addresses its compliance obligations in appropriate detail. Thus, reference should be made to the actual legislative instrument(s) which is the source of each individual compliance obligation when</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)                      | Licence Obligation Reference Number  | Auditor's Recommendation   | HW Action Taken by End of Audit Period |
|---|--|--|--|
| <b>Controls and Compliance Rating</b>                       |  |  |  |
| <b>Legislative Obligation</b>                               |  |  |  |
| <b>Details of Inadequate Controls and/or Non-Compliance</b> |  |  |  |
| 2/2020<br>(continued)                                       | <ul style="list-style-type: none"> <li>• Obligations: as per Table 10 of this Report; and</li> <li>• Details:<br/><b>General observation across all compliance obligations:</b> <ul style="list-style-type: none"> <li>○ HW was assessed to have had weak controls during the Audit Period to help ensure compliance with its WL obligations. Paxon's findings regarding the existence of controls for each individual compliance obligation are included within this Table; and</li> <li>○ Paxon was informed by HW's Operations Manager that it will compile and implement a compliance schedule, based on the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" to help ensure compliance with its obligations in terms of the water services legislation.</li> </ul> </li> </ul> | <p>assessing the suitability of policy and procedure documents; and</p> <ul style="list-style-type: none"> <li>• In particular, HW should focus on those compliance obligations, as included in its new compliance register, for which no appropriate policy or procedure documents exist (Uncovered Obligations). HW should compile and implement appropriate policy and procedure documents to help ensure compliance with the uncovered obligations included in its compliance register.</li> </ul> |  |
| 3/2020  | <ul style="list-style-type: none"> <li>• Number: 32;</li> <li>• Rating: D NR;</li> </ul>   | <ul style="list-style-type: none"> <li>• HW should update both its "<i>Customer Service Charter</i>" and RWS's "<i>Customer Service Charter</i>" to record its obligation in terms of section 129(5) of the Act. Both charters should record the</li> <li>• Zero.</li> </ul>   |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)               | Licence Obligation Reference Number  | Auditor's Recommendation   | HW Action Taken by End of Audit Period |
|--|--|--|--|
| Controls and Compliance Rating                       |  |  |  |
| Legislative Obligation                               |  |  |  |
| Details of Inadequate Controls and/or Non-Compliance |  |  |  |
| 3/2020<br>(continued)                                | <ul style="list-style-type: none"> <li>• Obligation: Act, section 129(5), and WSL 7, clause 3.1.1; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ Paxon examined HW's "<i>Customer Service Charter</i>" which states in section 3.3:<br/><i>“...because of the nature of irrigation operations, and the frequent need to enter onto our customers’ properties, we are not always able to advise of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present we will leave a calling card or send an SMS message to advise of our visit.”</i>; and</li> <li>○ Paxon examined RWS's "<i>Customer Service Charter</i>" which states in section 4.3:<br/><i>“...because of the nature of operations, and the need to enter onto our customers’ properties, we are not always able to advise you of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present we will leave a</i></li> </ul> </li> </ul> | <p>obligation to give 48 hours' notice of proposed entry in instances where a routine inspection or maintenance is likely to cause disruption to the occupants of a place.</p> |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)                      | Licence Obligation Reference Number  | Auditor's Recommendation  | HW Action Taken by End of Audit Period |
|---|--|---|--|
| <b>Controls and Compliance Rating</b>                       |  |   |  |
| <b>Legislative Obligation</b>                               |  |   |  |
| <b>Details of Inadequate Controls and/or Non-Compliance</b> |  |   |  |
| 3/2020<br>(continued)                                       | <i>calling card or send an SMS message to advise you of our visit.</i>   |   |  |
| 4/2020  | <ul style="list-style-type: none"> <li>• Number: 33;</li> <li>• Rating: D NR;</li> <li>• Obligation: Act, section 139(3), and WSL 7, clause 3.1.1; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ Paxon examined HW's "Customer Service Charter" which states in section 3.2: "<i>We will respect assets and operations of our customers' properties and "leave as found" all gates and fences on private land.</i>";</li> <li>○ Paxon examined RWS's "Customer Service Charter" which states in section 4.2: "<i>We will respect assets and operations of our customers' properties and "leave as found" all gates and fences on private land.</i>"; and</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• HW should update both its "Customer Service Charter" and RWS's "Customer Service Charter" to record its obligations in terms of section 139(3) of the Act. Both charters should record the obligation to take all reasonable steps to give the owner prior notice if the licensee plans to remove or erect a fence or gate when exercising a works power conferred by the Act.</li> <li>• Zero.</li> </ul> |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)               | Licence Obligation Reference Number   | Auditor's Recommendation  | HW Action Taken by End of Audit Period |
|--|---|---|--|
| Controls and Compliance Rating                       |   |   |  |
| Legislative Obligation                               |   |   |  |
| Details of Inadequate Controls and/or Non-Compliance |   |   |  |
| 4/2020<br>(continued)                                | <ul style="list-style-type: none"> <li>○ Paxon does not believe these charter provisions acknowledge HW's obligations in terms of section 139(3) of the Act.</li> </ul>   |   |  |
| 5/2020   | <ul style="list-style-type: none"> <li>● Numbers: 49 and 50;</li> <li>● Ratings: C NR (49) and C 2(50);</li> <li>● Obligations: Act, sections 173(4) and 174(1), and WSL 7, clause 3.1.1; and</li> <li>● Details: <ul style="list-style-type: none"> <li>○ Paxon examined HW's "Customer Service Charter" which states in section 3.3:<br/><i>"We will provide written notice of entry at least 14 days in advance when it is necessary to enter onto private land for planned major construction works. However, because of the nature of irrigation operations, and the frequent need to enter onto our customers' properties, we are not always able to advise of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present we will leave a calling</i></li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>● HW should update both its "Customer Service Charter" and RWS's "Customer Service Charter" to record its obligations in terms of section 173(4) of the Act. Both charters should record the obligations to give 48 hours' written notice of proposed entry to a place for doing works, when it is anticipated such entry would be likely to: <ul style="list-style-type: none"> <li>○ Cause disruption to the occupants of the place; or</li> <li>○ Adversely affect the place.</li> </ul> </li> <li>● Zero.</li> </ul> |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)               | Licence Obligation Reference Number  | Auditor's Recommendation                                | HW Action Taken by End of Audit Period |
|--|--|---|--|
| Controls and Compliance Rating                       |  |   |  |
| Legislative Obligation                               |  |   |  |
| Details of Inadequate Controls and/or Non-Compliance |  |   |  |
| 5/2020<br>(continued)                                | <p><i>card or send an SMS message to advise of our visit.”;</i></p> <ul style="list-style-type: none"> <li>○ Paxon examined RWS’s “Customer Service Charter” which states in section 4.3:</li> <p><i>“We will provide written notice of entry at least 14 days in advance when it is necessary to enter onto private land for planned major construction works. However, because of the nature of operations, and the need to enter onto our customers’ properties, we are not always able to advise you of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present we will leave a calling card or send an SMS message to advise you of our visit.”;</i></p> <li>○ Paxon believes these two Charter references do not comply with the stipulations of either sections 173(4) or 174(1) of the Act; and</li> <li>○ Paxon confirmed by interview of HW’s Operations Manager that, during the Audit Period, HW did not give written notice of</li> </ul> | <p>applicable) any work proposed to be carried out.</p> |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)                      | Licence Obligation Reference Number  | Auditor's Recommendation  | HW Action Taken by End of Audit Period |
|---|--|---|--|
| <b>Controls and Compliance Rating</b>                       |  |   |  |
| <b>Legislative Obligation</b>                               |  |   |  |
| <b>Details of Inadequate Controls and/or Non-Compliance</b> |  |   |  |
| 5/2020<br>(continued)                                       | proposed entry to a place for the purposes of maintenance work, but telephoned property owners or occupiers or met them face to face to organise a future date for entry for the purposes of doing works.  |   |  |
| 6/2020  | <ul style="list-style-type: none"> <li>• Numbers: 50 and 51;</li> <li>• Ratings: C 2;</li> <li>• Obligations: Act, sections 174(1) and 174(3), and WSL 7, clause 3.1.1; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW informed property owners or occupiers of proposed entry to a place for doing works (emergencies excluded) by means of: <ul style="list-style-type: none"> <li>• Telephone conversations;</li> <li>• Face to face meetings;</li> <li>• E-mails;</li> </ul> </li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• HW should in all instances give notice of entry to a place in writing. The timing of such notice is dependent on the reason for entry being: <ul style="list-style-type: none"> <li>○ Section 173(4): in relation to entry to a place for the purposes of doing works, in the circumstances specified - 48 hours' prior to proposed entry to a place to the occupier or owner; and</li> <li>○ Section 174(3): entry of a place without having to give notice - when practicable, and when it will not compromise the reason for entry.</li> </ul> </li> <li>• Zero.</li> </ul> |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)               | Licence Obligation Reference Number  | Auditor's Recommendation  | HW Action Taken by End of Audit Period |
|--|--|---|--|
| Controls and Compliance Rating                       |  |   |  |
| Legislative Obligation                               |  |   |  |
| Details of Inadequate Controls and/or Non-Compliance |  |   |  |
| 6/2020<br>(continued)                                | <ul style="list-style-type: none"> <li>• SMS; or</li> <li>• Other written notice.</li> </ul> <p>Thus, notice was not given in writing in all instances;</p> <ul style="list-style-type: none"> <li>○ Paxon was informed by HW's Operations Manager that, during the Audit Period, HW did give 14 days' written notice of proposed entry to a place for purposes of the extension of the Dorsett Road pipe project; and</li> <li>○ Paxon confirmed the 14 days' written notice against a sample of endorsements by property owners regarding entry onto their properties for purposes of the Dorsett Road extension.</li> </ul> |   |  |
| 7/2020   | <ul style="list-style-type: none"> <li>• Number: 63;</li> <li>• Rating: C 1;</li> <li>• Obligations: Act, section 218(2), and WSL 7, clause 3.1.1; and</li> <li>• Details:</li> </ul>  | <ul style="list-style-type: none"> <li>• HW should update its "<i>Notice of Entry</i>" forms to refer appropriately to its obligations regarding causing as little damage and harm as is possible during the exercise of a power under the Act, as stipulated in section 218(2) of the Act.</li> <li>• Zero.</li> </ul> |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)               | Licence Obligation Reference Number   | Auditor's Recommendation  | HW Action Taken by End of Audit Period |
|--|---|---|--|
| Controls and Compliance Rating                       |   |   |  |
| Legislative Obligation                               |   |   |  |
| Details of Inadequate Controls and/or Non-Compliance |   |   |  |
| 7/2020<br>(continued)                                | <ul style="list-style-type: none"> <li>○ Paxon examined a sample of "Notice of Entry" forms (Entry Forms) issued by HW to owners or occupiers of properties, regarding the Dorsett Road pipe project. Paxon found the Entry Forms states: "<i>It is our intention to create minimum disturbance to yourself and your property</i>"; and</li> <li>○ However, Paxon could not find any direct references to 'damage or harm' as stipulated in section 218(2) of the Act in the HW Manuals.</li> </ul> | <ul style="list-style-type: none"> <li>• HW should update its "Notice of Entry" forms to refer appropriately to its obligations regarding paying compensation to the extent that it is not practicable to make good physical damage caused during exercising a works power or a power of entry.</li> <li>• Zero.</li> </ul> |  |
| 8/2020   | <ul style="list-style-type: none"> <li>• Number: 64;</li> <li>• Rating: D NR;</li> <li>• Obligations: Act, section 218(3), and WSL 7, clause 3.1.1; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ Paxon examined a sample of "Notice of Entry" forms (Entry Forms) issued by HW to owners or occupiers of properties, regarding the</li> </ul> </li> </ul>   |   |  |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year) | Licence Obligation Reference Number  | Auditor's Recommendation  | HW Action Taken by End of Audit Period                    |
|--|--|---|---|
|  | <b>Controls and Compliance Rating</b>  |   |   |
|  | <b>Legislative Obligation</b>  |   |   |
|  | <b>Details of Inadequate Controls and/or Non-Compliance</b>  |   |   |
| 8/2020<br>(continued)                  | Dorsett Road pipe project. Paxon found the Entry Forms states:<br><br><i>"We will reinstate any affected area to as near original condition as is reasonably practical. Upon completion of the works you will be asked to sign an acknowledgement that all work in the affected area has been reinstated satisfactorily.";</i> and<br><br>○ However, Paxon could not find any direct references to 'pay compensation to the extent that it is not practicable to make good the damage' as stipulated in section 218(3) of the Act in the HW Manuals. |   |   |
| 9/2020                                 | <ul style="list-style-type: none"> <li>• Number: 68;</li> <li>• Rating: D NR;</li> <li>• Obligations: Water Services Regulations 2013 (Regulations), clause 26(5), and WSL 7, clause 3.1.1; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ See the controls observations for obligation 67 above regarding RWS's "Customer Service</li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• Both HW and RWS should update their "Customer Service Charters" to refer appropriately to their obligations regarding water meter tests findings. Their "Customer Service Charters" should specifically refer to the obligations, in cases where meters are found to be faulty, to adjust:</li> <li>○ Meter reading with which the owner or occupier is dissatisfied; and</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

## Current Audit: Inadequate Controls, Non-Compliances and Recommendations

### B. Unresolved at End of Current Audit Period

| Recommendation Reference<br>(no./year)               | Licence Obligation Reference Number  | Auditor's Recommendation   | HW Action Taken by End of Audit Period |
|--|--|--|--|
| Controls and Compliance Rating                       |  |  |  |
| Legislative Obligation                               |  |  |  |
| Details of Inadequate Controls and/or Non-Compliance |  |  |  |
| 9/2020<br>(continued)                                | <p><i>Charter</i>". Paxon could not find any specific references to adjusting the:</p> <ul style="list-style-type: none"> <li>• Meter reading with which the owner or occupier is dissatisfied; and</li> <li>• Water service charges based on that meter reading.</li> </ul> <p>○ Paxon examined HW's "<i>Customer Service Charter</i>" but could not find any direct reference to the stipulations of regulation 26(5) of the 2013 Regulations.</p>       | <ul style="list-style-type: none"> <li>○ Water service charges based on that meter reading.</li> </ul>   |  |
| 10/2020  | <ul style="list-style-type: none"> <li>• Number: 155;</li> <li>• Rating: D 2;</li> <li>• Obligations: Act, section 12 and WSL 7, clause 3.2.1; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ Paxon examined a sample of ERA tax invoices against HW's payment records. Paxon found several tax invoices were not paid within 30 days from the date of issue (in compliance with regulation 4 (4) of the Economic</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• HW should ensure that it pays the ERA's fees and charges within 30 days from the date of the notice containing those liabilities.</li> <li>• Zero.</li> </ul> |  |

**Current Audit: Inadequate Controls, Non-Compliances and Recommendations****B. Unresolved at End of Current Audit Period**

| Recommendation Reference<br>(no./year) | Licence Obligation Reference Number                           | Auditor's Recommendation | HW Action Taken by End of Audit Period |
|--|---|--------------------------|--|
|  | <b>Controls and Compliance Rating</b>                         |                          |  |
|  | <b>Legislative Obligation</b>                                 |                          |  |
|  | <b>Details of Inadequate Controls and/or Non-Compliance</b>   |                          |  |
| 10/2020<br>(continued)                 | Regulation Authority (Licensing Funding)<br>Regulations 2014. |                          |  |

**Table 11: Current Audit: Inadequate Controls, Non-Compliances and Recommendations (Part B)**

#### 4.5 Current Audit: Compliance Obligations Found to be “Not Applicable”

Paxon identified several compliance obligations, after the approval of the audit plan by the ERA, as being ‘not applicable’:

| No. <sup>3</sup> | Obligation Under:       |                                    | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   |            | Ratings<br>(as per Table 8) |  |
|------------------|-------------------------|------------------------------------|--|--|------------|-----------------------------|--|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |  |            |                             |  |
|                  | Section Number          | Clause Number                      |  | Controls   | Compliance |                             |  |
| 11               | 27                      | 3.1.1                              | 4  | <b>Controls and Compliance:</b> <ul style="list-style-type: none"> <li>The ERA in a Notice dated 30 May 2017 stated: <i>“The ERA considers that the Water Code (Water Services Code of Conduct (Customer Service Standards) 2013) does not apply to Harvey Water, because:</i></li> <ul style="list-style-type: none"> <li><i>• Most of its water is supplied to member customers, who are excluded from the Water Code; and</i></li> <li><i>• the services it provides to non-member customers are best characterised as non-potable water services, which are also not covered by the Water Code.”</i></li> </ul> <li>The Water Services Code of Conduct (Customer Service Standards) 2018 is not applicable to the water services being provided by HW; and</li> <li>Thus, Paxon did not assess whether HW complied with the Water Services Code of Conduct (Customer Service Standards) 2013.</li> </ul> | NA         | NA                          |  |

<sup>3</sup>. The “No.” refers to the obligation reference number, as per the appropriate ERA: “Water Compliance Reporting Manual – Water Services Act 2012” version.

| No. <sup>3</sup> | Obligation Under:       |                                    | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|------------------------------------|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |  | Controls                    | Compliance |
| Section Number   | Clause Number           |                                    |  |  |                             |            |
| 17               | 82(4) & (5)             | 3.1.1                              | 4  | <p><b>Controls and Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW did not approve building plans. Thus, the stipulations of sections 82(4) and (5) of the Act were not applicable to HW's operations during the Audit Period.</li> </ul>   | NA                          | NA         |
| 21               | 95(3)                   | 3.1.1                              | 2  | <p><b>Controls and Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon examined HW's "Customer Service Charter" which states on page 2: <i>"Harvey Water supplies non-potable water which must not be used for drinking, cooking, cleaning, bathing, laundry or any other household purpose and may cause serious illness injury or death if consumed or used in such a manner";</i></li> <li>Paxon examined RWS's "Customer Service Charter" which states on page 2: <i>"Rural Water Services Pty Ltd (RWS) Harvey Water supplies non-potable water which must not be used for drinking, cooking, cleaning, bathing, laundry or any other household purpose and may cause serious</i></li> </ul> | NA                          | NA         |

| No. <sup>3</sup> | Obligation Under:       |                                    | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|------------------------------------|--|---|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services Licence – Version 7 |  |   | Controls                    | Compliance |
| Section Number   | Clause Number           |                                    |  |   |                             |            |
| 21<br>(cont.)    |                         |                                    |  | <p><i>illness injury or death if consumed or used in such a manner";</i></p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW provided:           <ul style="list-style-type: none"> <li>○ Irrigation water; and</li> <li>○ Non-potable water to property boundaries.</li> </ul> </li> <li>• Paxon examined both WSL 6 and WSL 7 in which HW was granted a licence to provide non-potable water supply services and irrigation services; and</li> <li>• Thus, Paxon is satisfied that, during the Audit Period, HW did not provide water services to dwellings. Thus, the stipulations of sections 95(3), 125(2), 175(2) and 175(5) of the Act were not applicable to HW's operations during the Audit Period.</li> </ul> |                             |            |
| 30               | 125(2)                  | 3.1.1                              | 4  | <p><b>Controls and Compliance:</b></p> <ul style="list-style-type: none"> <li>• See the controls and compliance observations for obligation number 21 above.</li> </ul>   | NA                          | NA         |

| No. <sup>3</sup> | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to<br>5 = Low) | Observations and Recommendations  |               | Ratings<br>(as per Table 8) |            |
|------------------|-------------------|---|--|---|---------------|-----------------------------|------------|
|                  |                   |   |  | Section Number  | Clause Number | Controls                    | Compliance |
| 48               | 170               | 3.1.1 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  | <b>Controls and Compliance:</b> <ul style="list-style-type: none"><li>• Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, HW owned two parcels of land, being:<ul style="list-style-type: none"><li>○ Land on which its administrative buildings are situated; and</li><li>○ Land on which the Benger pump station is situated.</li></ul></li></ul> Thus, the probability of HW selling an interest in land was negligible. Thus, the stipulations of section 170 of the Act were not applicable to HW's operations during the Audit Period. |               | NA                          | NA         |
| 52               | 175(2)            | 3.1.1 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  | <ul style="list-style-type: none"><li>• See the controls and compliance observations for obligation number 21 above.</li></ul>  |               | NA                          | NA         |
| 53               | 175(5)            | 3.1.1 If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.  | 4  | <ul style="list-style-type: none"><li>• See the controls and compliance observations for obligation number 21 above.</li></ul>  |               | NA                          | NA         |

Table 12: Current Audit: Compliance Obligations Found to be "Not Applicable" (Part A)

| No. | Obligation Under:               |                                    | Summary Description of Obligation  | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations   | Ratings<br>(as per Table 8) |               |
|-----|---------------------------------|------------------------------------|--|---|--|-----------------------------|---------------|
|     | Water Services Regulations 2013 | Water Services Licence – Version 7 |  |   |  | Regulation Number           | Clause Number |
| 65  | 23(2)                           | 3.1.1                              | 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   | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation number 21 (Table 12, Part A above).</li> </ul>  | NA                          | NA            |
| 70  | 42(2)                           | 3.1.1                              | 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   | <p><b>Controls and Compliance:</b></p> <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, based on the nature of the water services it provides backflow prevention devices were not applicable to HW's operations. Thus, the stipulations of regulations 42(2), 43(3) and 43(6) of the 2013 Regulations were not applicable to HW operations during the Audit Period.</li> </ul> | NA                          | NA            |
| 71  | 43(3)                           | 3.1.1                              | The compliance notice requiring the owner or occupier of land to have their backflow prevention device tested or maintained in accordance with the standard by a specified date (which must be at least 7 days after the notice is given).   | 4   | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation number 70 above.</li> </ul>   | NA                          | NA            |

| No.               | Obligation Under:          |                                    | Summary Description of Obligation   | Audit Priority Rating:<br>(1 = High to 5 = Low) | Observations and Recommendations  | Ratings<br>(as per Table 8) |            |
|-------------------|----------------------------|------------------------------------|---|---|---|-----------------------------|------------|
|                   | Water Services Regulations | Water Services Licence – Version 7 |   |   |   | Controls                    | Compliance |
| Regulation Number | Clause Number              |                                    |   |   |   |                             |            |
| 72                | 43(6)                      | 3.1.1                              | 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   | <ul style="list-style-type: none"> <li>See the controls and compliance observations for obligation 70 above.</li> </ul>   | NA                          | NA         |
| 73                | 53(3)                      | 3.1.1                              | The licensee must provide a person with a plan of the existing drainage plumbing for a building on request and on receipt of payment from the person.   | 4   | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of HW's Operations Manager that, during the Audit Period, based on the nature of the water services it provides, HW had no obligation to keep plans of drainage plumbing for buildings. Thus, the stipulations of regulation 53(3) of the 2013 Regulations were not applicable to HW's operations during the Audit Period.</li> </ul> | NA                          | NA         |

Table 12: Current Audit: Compliance Obligations Found to be "Not Applicable" (Part B)

| No. | Obligation Under: | Summary Description of Obligation   | Audit Priority Rating: (1 = High to 5 = Low) | Observations and Recommendations  |            | Ratings (as per Table 8) |
|-----|-------------------|---|--|---|------------|--------------------------|
|     |                   |   |  | Controls  | Compliance |                          |
| 183 | 5.4.3             | The licensee must comply with the ERA's Financial Hardship Policy Guidelines as they apply to the licensee. | 4  | <ul style="list-style-type: none"> <li>• See the findings for obligation number 125 above.</li> </ul> |            | NA NA                    |

Table 12: Current Audit: Compliance Obligations Found to be "Not Applicable" (Part C)

## 5 Asset Management System Review: Comprehensive Report

### 5.1 Asset Management System Rating Scales

The asset management process and policy ratings allocated to each asset management system component are set out in Table 16. These ratings were taken from the ERA's document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019" and are as follows:

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

Table 13: Asset Management Process and Policy Rating Scales

The asset management performance ratings allocated to each asset management system component are set out in Table 16. These ratings were taken from the ERA's document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019" and are as follows:

| Rating | Description                | Criteria  |
|--------|----------------------------|---|
| 1      | Performing effectively     | <ul style="list-style-type: none"> <li>• The performance of the process meets or exceeds the required levels of performance; and</li> <li>• Process effectiveness is regularly assessed, and corrective action taken where necessary.</li> </ul>  |
| 2      | Improvement required       | <ul style="list-style-type: none"> <li>• The performance of the process requires some improvement to meet the required level;</li> <li>• Process effectiveness reviews are not performed regularly enough; and</li> <li>• Recommended process improvements are not implemented.</li> </ul>              |
| 3      | Corrective action required | <ul style="list-style-type: none"> <li>• The performance of the process requires substantial improvement to meet the required level;</li> <li>• Process effectiveness reviews are performed irregularly, or not at all; and</li> <li>• Recommended process improvements are not implemented.</li> </ul> |
| 4      | Serious action required    | <ul style="list-style-type: none"> <li>• Process is not performed, or the performance is so poor the process is considered to be ineffective.</li> </ul>  |

**Table 14: Asset Management Performance Rating Scales**

## 5.2 Asset Management System: Ratings Summary

The ratings for the asset management processes, including their effectiveness criteria, are indicated in Table 15 below:

| Asset Management System   | Review Priority Rating | Process and Policy Rating |                           |                                  |            | Performance Rating |   |   |   |
|---|------------------------|---------------------------|---------------------------|----------------------------------|------------|--------------------|---|---|---|
|   |                        | Adequately Defined        | Requires Some Improvement | Requires Substantial Improvement | Inadequate | 1                  | 2 | 3 | 4 |
| <b>Processes and Effectiveness Criteria</b>   |                        |                           |                           |                                  |            |                    |   |   |   |
| <b>Asset Planning</b>   |                        |                           |                           |                                  |            | ✓                  | ✓ |   |   |
| • Asset Management Plan covers key requirements;  | 4                      |                           |                           | ✓                                |            | ✓                  |   |   |   |
| • Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning; | 4                      | ✓                         |                           |                                  |            | ✓                  |   |   |   |
| • Service levels are defined;   | 4                      | ✓                         |                           |                                  |            | ✓                  |   |   |   |
| • Non-asset options are considered;   | 2                      | ✓                         |                           |                                  |            | ✓                  |   |   |   |
| • Life cycle costs of owning and operating the assets are assessed;   | 2                      | ✓                         |                           |                                  |            | ✓                  |   |   |   |
| • Funding options are evaluated;  | 2                      | ✓                         |                           |                                  |            | ✓                  |   |   |   |
| • Costs are justified, and cost drivers identified;   | 4                      | ✓                         |                           |                                  |            | ✓                  |   |   |   |
| • Likelihood and consequences of asset failure are predicted; and   | 4                      | ✓                         |                           |                                  |            | ✓                  |   |   |   |
| • Plans are regularly reviewed and updated.   | 4                      | ✓                         |                           |                                  |            | ✓                  |   |   |   |
| <b>Asset Creation and Acquisition</b>   |                        |                           | ✓                         |                                  |            | ✓                  |   |   |   |
| • Full project evaluations are undertaken for new assets including comparative estimates of non-asset solutions;  | 2                      |                           | ✓                         |                                  |            | ✓                  |   |   |   |

| <b>Asset Management System</b>   | <b>Review Priority Rating</b> | <b>Process and Policy Rating</b> |                           |                                  |            | <b>Performance Rating</b> |   |   |   |  |
|--|-------------------------------|----------------------------------|---------------------------|----------------------------------|------------|---------------------------|---|---|---|--|
|  |                               | Adequately Defined               | Requires Some Improvement | Requires Substantial Improvement | Inadequate | 1                         | 2 | 3 | 4 |  |
| (1 = High to<br>5 = Low)   |                               |                                  |                           |                                  |            |                           |   |   |   |  |
| <b>Processes and Effectiveness Criteria</b>  |                               |                                  |                           |                                  |            |                           |   |   |   |  |
| • Evaluations include all lifecycle costs;   | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| • Projects reflect sound engineering and business decisions;   | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| • Commissioning tests are documented and completed; and  | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| • On-going legal/environmental/safety obligations of the asset owner are assigned and understood.                            | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| <b>Asset Disposal</b>  |                               | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| • Under performing and underutilised assets are identified as part of a regular systematic review process;                   | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| • The reasons for underutilisation or poor performance are critically examined and corrective action or disposal undertaken; | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| • Disposal alternatives are evaluated; and   | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| • There is a replacement strategy for assets.  | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| <b>Environmental Analysis</b>  |                               | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |
| • Opportunities and threats in the system are assessed;  | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |  |

| <b>Asset Management System</b>   | <b>Review Priority Rating</b> | <b>Process and Policy Rating</b> |                           |                                  |            | <b>Performance Rating</b> |   |   |   |  |
|--|-------------------------------|----------------------------------|---------------------------|----------------------------------|------------|---------------------------|---|---|---|--|
|  |                               | Adequately Defined               | Requires Some Improvement | Requires Substantial Improvement | Inadequate | 1                         | 2 | 3 | 4 |  |
| <b>(1 = High to<br/>5 = Low)</b>   |                               |                                  |                           |                                  |            |                           |   |   |   |  |
| <b>Processes and Effectiveness Criteria</b>  |                               |                                  |                           |                                  |            |                           |   |   |   |  |
| • Performance standards (availability of service, capacity, continuity, emergency response etc.) are measured and achieved;  |                               | 4                                | ✓                         |                                  |            | ✓                         |   |   |   |  |
| • Compliance with statutory and regulatory requirements; and   |                               | 2                                | ✓                         |                                  |            | ✓                         |   |   |   |  |
| • Service standard (customer service levels etc) are measured and achieved.  |                               | 4                                | ✓                         |                                  |            | ✓                         |   |   |   |  |
| <b>Asset Operations</b>  |                               |                                  |                           |                                  |            |                           |   |   |   |  |
| • Operational procedures and policies are documented and linked to service levels required;  |                               | 2                                | ✓                         |                                  |            | ✓                         |   |   |   |  |
| • Risk management is applied to prioritise operations tasks;   |                               | 4                                | ✓                         |                                  |            | ✓                         |   |   |   |  |
| • Assets are documented in an asset register including asset type, location, material, plans of components and assessment of assets physical/structural condition and accounting data; |                               | 2                                | ✓                         |                                  |            | ✓                         |   |   |   |  |
| • Operational costs are measured and monitored; and  |                               | 2                                | ✓                         |                                  |            | ✓                         |   |   |   |  |
| • Staff resources are adequate, and staff receive training commensurate with their responsibilities.   |                               | 2                                | ✓                         |                                  |            | ✓                         |   |   |   |  |

| <b>Asset Management System</b>   | <b>Review Priority Rating</b> | <b>Process and Policy Rating</b> |                           |                                  |            | <b>Performance Rating</b> |   |   |   |
|--|-------------------------------|----------------------------------|---------------------------|----------------------------------|------------|---------------------------|---|---|---|
|  |                               | Adequately Defined               | Requires Some Improvement | Requires Substantial Improvement | Inadequate | 1                         | 2 | 3 | 4 |
| <b>Processes and Effectiveness Criteria</b>  |                               |                                  |                           |                                  |            |                           |   |   |   |
| <b>Asset Maintenance</b>   |                               | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Maintenance policies and procedures are documented and linked to service levels required;            | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Regular inspections are undertaken of asset performance and condition;                               | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule; | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Failures are analysed, and operation/maintenance plans are adjusted where necessary;                 | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Risk management is applied to prioritise maintenance tasks; and                                      | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Maintenance costs are measured and monitored.  | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| <b>Asset Management Information System</b>   |                               | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Adequate system documentation for users and IT operators;  | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Input controls include appropriate verification and validation of data entered into the system;      | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Security access controls appear adequate, such as passwords;   | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Physical security access controls appear adequate;   | 4                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |

| Asset Management System   | Review Priority Rating | Process and Policy Rating |                           | Performance Rating               |            |                        |                      |
|---|------------------------|---------------------------|---------------------------|----------------------------------|------------|------------------------|----------------------|
|   | (1 = High to 5 = Low)  | Adequately Defined        | Requires Some Improvement | Requires Substantial Improvement | Inadequate | Performing Effectively | Improvement Required |
| Processes and Effectiveness Criteria  |                        | A                         | B                         | C                                | D          | 1                      | 2                    |
| <ul style="list-style-type: none"> <li>Data back-up procedures appear adequate and back-ups are tested;</li> </ul>  | 4                      | ✓                         |                           |                                  |            | ✓                      |                      |
| <ul style="list-style-type: none"> <li>Key computations related to Licensee performance reporting are materially accurate; and</li> </ul>   | 4                      | ✓                         |                           |                                  |            | ✓                      |                      |
| <ul style="list-style-type: none"> <li>Management reports appear adequate for the Licensee to monitor licence obligations.</li> </ul>   | 4                      | ✓                         |                           |                                  |            | ✓                      |                      |
| <ul style="list-style-type: none"> <li>Adequate measures to protect asset management data from unauthorised access or theft by persons outside the organisation</li> </ul>                                | 4                      | ✓                         |                           |                                  |            | ✓                      |                      |
| <b>Risk Management</b>  |                        |                           | ✓                         |                                  |            | ✓                      |                      |
| <ul style="list-style-type: none"> <li>Risk management policies and procedures exist and are being applied to minimise internal and external risk associated with the asset management system;</li> </ul> | 2                      | ✓                         |                           |                                  |            | ✓                      |                      |
| <ul style="list-style-type: none"> <li>Risks are documented in a risk register and treatment plans are actioned and monitored; and</li> </ul>   | 2                      |                           | ✓                         |                                  |            | ✓                      |                      |
| <ul style="list-style-type: none"> <li>The probability and consequences of asset failure are regularly assessed.</li> </ul>   | 4                      | ✓                         |                           |                                  |            | ✓                      |                      |
| <b>Contingency Planning</b>   |                        |                           | ✓                         |                                  |            | ✓                      |                      |
| <ul style="list-style-type: none"> <li>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</li> </ul>   | 2                      |                           |                           | ✓                                |            | ✓                      |                      |

| <b>Asset Management System</b>   | <b>Review Priority Rating</b> | <b>Process and Policy Rating</b> |                           |                                  |            | <b>Performance Rating</b> |   |   |   |
|--|-------------------------------|----------------------------------|---------------------------|----------------------------------|------------|---------------------------|---|---|---|
|  |                               | Adequately Defined               | Requires Some Improvement | Requires Substantial Improvement | Inadequate | 1                         | 2 | 3 | 4 |
| <b>Processes and Effectiveness Criteria</b>  |                               |                                  |                           |                                  |            |                           |   |   |   |
| <b>Financial Planning</b>  |                               |                                  | ✓                         |                                  |            | ✓                         |   |   |   |
| • The financial plan states the financial objectives and identifies strategies and actions to achieve those;                               | 2                             |                                  | ✓                         |                                  |            | ✓                         |   |   |   |
| • The financial plan identifies the source of funds for capital expenditure and recurrent costs;   | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • The financial plan provides projections of operating statements (profit and loss) and statements of financial position (balance sheets); | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • The financial plan provides firm predictions of income for the next five years and reasonable indicative predictions beyond this period; | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • The financial plan provides for the operation, maintenance, administration, and capital expenditure requirements of the services; and    | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| • Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.                   | 2                             | ✓                                |                           |                                  |            | ✓                         |   |   |   |
| <b>Capital Expenditure Planning</b>  |                               |                                  | ✓                         |                                  |            | ✓                         |   |   |   |
| • There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates;                    | 2                             |                                  | ✓                         |                                  |            | ✓                         |   |   |   |

| <b>Asset Management System</b>  | <b>Review Priority Rating</b> | <b>Process and Policy Rating</b> |                           |                                  |            | <b>Performance Rating</b> |   |   |   |
|---|-------------------------------|----------------------------------|---------------------------|----------------------------------|------------|---------------------------|---|---|---|
|   |                               | Adequately Defined               | Requires Some Improvement | Requires Substantial Improvement | Inadequate | 1                         | 2 | 3 | 4 |
| <b>(1 = High to<br/>5 = Low)</b>  |                               |                                  |                           |                                  |            |                           |   |   |   |
| <b>Processes and Effectiveness Criteria</b>   |                               |                                  |                           |                                  |            |                           |   |   |   |
|   |                               | A                                | B                         | C                                | D          | 1                         | 2 | 3 | 4 |
| <ul style="list-style-type: none"> <li>The plan provides reasons for capital expenditure and timing of expenditure;</li> </ul>  |                               | 4                                | ✓                         |                                  |            | ✓                         |   |   |   |
| <ul style="list-style-type: none"> <li>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan; and</li> </ul>                     |                               | 2                                | ✓                         |                                  |            | ✓                         |   |   |   |
| <ul style="list-style-type: none"> <li>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.</li> </ul>                                   |                               | 4                                | ✓                         |                                  |            | ✓                         |   |   |   |
| <b>Review of Asset Management System</b>  |                               |                                  | ✓                         |                                  |            | ✓                         |   |   |   |
| <ul style="list-style-type: none"> <li>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current; and</li> </ul> |                               | 4                                | ✓                         |                                  |            | ✓                         |   |   |   |
| <ul style="list-style-type: none"> <li>Independent reviews (e.g., internal audit) are performed of the asset management system.</li> </ul>  |                               | 2                                | ✓                         |                                  |            | ✓                         |   |   |   |

**Table 15: Asset Management System: Ratings Summary**

### 5.3 Review Observations and Recommendations

| No. | Asset Management Process       | Review Priority | Observations and Recommendations  | Process and Policy Rating | Performance Rating |
|-----|--------------------------------|-----------------|---|---------------------------|--------------------|
| 1   | Asset Planning                 | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>The HW Asset Management Plan (AMP) was presented as a revised (2019) document awaiting Board approval;</li> <li>The AMP adequately addresses HW's background, present and future development considerations, together with its ERA and DWER licence;</li> <li>Policies and procedures related to operations, maintenance, risk assessment and contingency planning, asset register and condition are addressed. These documents are considered adequate for their purpose, are regularly reviewed and therefore essentially up to date;</li> <li>Reviewer noted several of the above descriptions/policies are presented as separate "stand alone" documents, which clearly contribute to the overall management of the assets. Such documents include the Strategic Plan, Water Services Procedures Manual and Emergency and Crisis Plans, Policy Manual and Asset Creation and Disposal procedures; and</li> <li>The AMP does not indicate the existence of the associated documents, nor does it address all the twelve key processes subject to this Asset Management Review. However, they should be briefly described and referenced in the AMP and its table of contents. Similarly, reference to the AMP should also be made in each of these documents.</li> </ul> <p><u>Recommendation 11/2020:</u></p> <ul style="list-style-type: none"> <li>That the AMP document be revised to address each of the twelve processes and effectiveness criteria outlined in Table 23 of the ERA's: "2019 Audit and Review Guidelines - Water Licences March 2019";</li> <li>That the AMP include - or at least summarises and references, all "stand alone" documents prepared for the management of HW's assets; and</li> <li>That each "stand alone" document also be referenced to the AMP.</li> </ul> | C                         | 1                  |
| 2   | Asset Creation and Acquisition | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>Asset Creation and Acquisition is addressed in the stand-alone document "Asset Management - Asset Creation", initially prepared in 2010 and reviewed in July 2019;</li> <li>Creation and Acquisition of <b>Capital Works</b> requires consideration of engineering, available options, costing and funding - prior to presentation to and minuted approval of the Board;</li> </ul>  | A                         | 1                  |

| No. | Asset Management Process                   | Review Priority | Observations and Recommendations  | Process and Policy Rating | Performance Rating |
|-----|--|-----------------|---|---------------------------|--------------------|
| 2   | Asset Creation and Acquisition (continued) |                 | <ul style="list-style-type: none"> <li>Creation and Acquisition of <b>Operational Works</b> requires verification by the Operations Manager if the cost is less than \$50,000. If exceeding \$50,000, approval of the General Manager may also be required. Where such works are requested by customers, the project will be assessed by the Operations Manager and may proceed following a connection agreement with the customer and his payment of the cost;</li> <li>The procedures outlined are considered appropriate and adequate; and</li> <li>Reviewer was briefed on the application of the procedures applied prior to approval of construction of the irrigation pipeline to the Kemerton Industrial Estate.</li> </ul>   |                           |                    |
| 3   | Asset Disposal                             | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>Asset Disposal is addressed in a stand-alone document "Asset Management - Asset Disposal" also prepared in 2010 and reviewed in July 2019;</li> <li>Disposal is considered only when an asset is redundant, retired, or replaced and will serve no future service or is to be transferred to another party;</li> <li>The procedure addresses a range of disposal actions including, sale for scrap, filling in or transfer to the Water Corporation or others in the case of open channels, relocation to another use as a component of an existing asset or placement in store as a spare part or unit;</li> <li>The Operations Manager will report to the Board on the reason for disposal, the residual value of the asset and cost recovery if sold;</li> <li>The procedure also specifies the requirements for removing the asset listing from the asset register and the approach taken in adjusting/recording the financial outcome; and</li> <li>The procedures outlined are considered appropriate and adequate.</li> </ul> | A                         | 1                  |
| 4   | Environmental Analysis                     | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>The history of the HW scheme, its three component irrigation districts and customers and, produce classifications are addressed in the AMP and its support documentation;</li> <li>The AMP contains a detailed listing of HW's ERA and DWER licences, their licence numbers and associated legislation;</li> <li>Annual compliance and performance reports for 2016/17, 2017/18 and 2018/19 submitted to the ERA, together with annual resource statements to DWER for the same periods were reviewed. The reports indicate that HW had complied with their licence conditions during the review period;</li> </ul>  | A                         | 1                  |

| No. | Asset Management Process              | Review Priority | Observations and Recommendations  | Process and Policy Rating | Performance Rating |
|-----|---------------------------------------|-----------------|---|---------------------------|--------------------|
| 4   | Environmental Analysis<br>(continued) |                 | <ul style="list-style-type: none"> <li>HW's 2019 Customer Charter was also reviewed, together with its separate table of charges for 2019/20;</li> <li>Opportunities in the system are continuously evaluated in consideration of options for improving performance or business practises. Similarly, threats to the system are continuously considered as issues arise. Threats are also documented in HW's risk analysis documents; and</li> <li>An overall consideration of the range of Strengths, Weaknesses, Opportunities and Threats (SWOT analysis) is contained in the 2017 to 2022 Strategic planning workshops of 2017, 2018 and 2019.</li> </ul>   |                           |                    |
| 5   | Asset Operations                      | As per Table 14 | <u>Observations:</u> <ul style="list-style-type: none"> <li>HW's operations are undertaken by two separate groups as follows: <ul style="list-style-type: none"> <li><b>Works</b> headed by the Works Manager and his team - which is responsible for undertaking /managing all new works, maintenance and repairs This area of operations is addressed in the following section - <i>6 Asset Maintenance</i>; and</li> <li><b>Water Services</b> headed by the Water Services Manager and his team of water controllers. Responsibilities include planning, coordinating and delivery of watering orders and monitoring the performance of the system, together with reporting on asset condition, performance, repairs, maintenance required and asset failures. When the irrigation season ends, permanent water controller staff are transferred to the Works Manager's team. As preparations for the subsequent watering season commence, they resume their water controller duties.</li> </ul> </li> <li>HW's Water Procedures Manual provides detailed instructions on: <ul style="list-style-type: none"> <li>Procedures for preparing irrigation areas in readiness for the watering season. These include checks of major structures, jacks and doors, together with checks and maintenance of Dethridge wheels, magflow and mechanical meters and flushing of channel;</li> <li>Checks and maintenance required during the watering season are similarly addressed;</li> <li>Detailed instructions are provided for taking and coordinating water orders using the BOB and SCADA software, and its associated VNC viewers via cameras located at major structures; and</li> <li>Instructions for water controllers during and following water delivery e.g. checking water levels in channels, flows rates to customers, weather forecasts.</li> </ul> </li> </ul> | A                         | 1                  |

| No. | Asset Management Process        | Review Priority | Observations and Recommendations   | Process and Policy Rating | Performance Rating |
|-----|---------------------------------|-----------------|--|---------------------------|--------------------|
| 5   | Asset Operations<br>(continued) |                 | <ul style="list-style-type: none"> <li>All water controllers are issued with mobile phones and tablets to allow their water services reporting and responses duties to be undertaken in the field, at home, or in the office;</li> <li>The Water Services Manager provided Reviewer with a demonstration of the online water ordering, SCADA and site VNC viewer system operations, together with examples of water controllers reports on the operation and condition of assets, plus repair/maintenance requirements;</li> <li>Reviewer was provided with a copy of HW's staff training and certifications matrix; and</li> <li>The documentation and coordination of water services provision are considered excellent.</li> </ul>  |                           |                    |
| 6   | Asset Maintenance               | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>As stated above, all pre-planned and ad hoc maintenance, together with new or replacement works, are undertaken by HW's personnel. Maintenance such as channel clearing, weed spraying etc are undertaken by experienced local contractors. Such work is inspected on an ad hoc basis - mainly on completion. Specialist drilling and similar contractors are supervised by works staff;</li> <li>Works are planned and coordinated in conjunction with an Asset Management software program designed and installed to HW's requirements. The software provides: <ul style="list-style-type: none"> <li>Details and dates for pre-planned maintenance, together with general maintenance and repair notified by field staff, plus general works;</li> <li>An automatic list of jobs for the coming ninety days is displayed on boot up. Jobs beyond ninety days can also be reviewed as required;</li> <li>Asset register and history;</li> <li>Job progress; and</li> <li>Jobs overdue.</li> </ul> </li> <li>Water controllers and works staff submit details of required works, maintenance or repair noted in the field. Details are provided on pro-forma sheets which indicate the originator and recipient of the report, whether or not the report relates to a Hazard, Emergency, New Asset, Maintenance, or Complaint. The form also specifies the type of asset referred to, its location and the type of work necessary;</li> <li>On a weekly basis, report sheets are reviewed by a works group and prioritised (on the basis of cost, access, urgency, risk, timing etc). Jobs are then entered into the works program. The works group normally includes the Operations Manager, Works Manager, Operations</li> </ul> | A                         | 1                  |

| No. | Asset Management Process            | Review Priority | Observations and Recommendations   | Process and Policy Rating | Performance Rating |
|-----|-------------------------------------|-----------------|--|---------------------------|--------------------|
| 6   | Asset Maintenance (continued)       |                 | <p>Coordinator and a foreman or leading hand from the outside staff;</p> <ul style="list-style-type: none"> <li>• The software generates job lists for the forthcoming ninety days - from which job sheets for individual works are generated and distributed to works staff and relevant contractors for action;</li> <li>• Job progress is monitored and the register of assets and their condition etc are maintained via entries to the software;</li> <li>• Use of the software was demonstrated to Reviewer; and</li> <li>• Reviewer inspected the significant range of spare asset components and specific equipment stored in the workshop.</li> </ul>   |                           |                    |
| 7   | Asset Management Information System | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>• HW's asset management system comprises of: <ul style="list-style-type: none"> <li>◦ The financial accounting software MYOB;</li> <li>◦ Invoice collating software BOB (designed specifically for HW); and</li> <li>◦ Zipform software provided by a digital communications provider.</li> </ul> </li> <li>• SCADA software which allows digital and visual monitoring and control of the irrigation system. The SCADA incorporates custom designed software which accepts farmer watering orders and - in the case of the Collie Irrigation District, automatic control of source draw and channel level in channels appropriate to each day's watering program;</li> <li>• Asset Maintenance - custom designed software which includes a sixteen-page asset register, maintenance schedule, outstanding jobs list and sign-off on completion of each job. The software allows management to issue specific job orders (for repair, ad hoc and programmed maintenance) to contractors and HW maintenance staff. Job completion sheets specify materials used and hours spent - allowing running job costs to be prepared;</li> <li>• HW has prepared a detailed table of "Reporting and Communications Requirements". The table sets out thirty-five actions and reporting obligations (over twelve individual months) associated with Licence compliance, preparation for Board meetings, budget preparation, customer meetings etc. Each task refers to the related law or legislation in addition to the person or group responsible for initiating the action;</li> <li>• The systems outlined above are operated via the main computer server housed in a separate air-conditioned room in HW's office. The server room was not locked during the review. Reviewer was advised that the server room is normally locked - with the key available from the receptionist. This arrangement does not offer adequate security. The key should be</li> </ul> | A                         | 2                  |

| No. | Asset Management Process                        | Review Priority | Observations and Recommendations  | Process and Policy Rating | Performance Rating |
|-----|---|-----------------|---|---------------------------|--------------------|
| 7   | Asset Management Information System (continued) |                 | available only to staff who would normally need to access the computer. General staff access from office PCs via password. The office building is locked outside business hours. Back-ups are performed daily to the office of Phoenix - HW's IT consultant in Bunbury. Back-ups are verified and recovery confirmed.   |                           |                    |
| 8   | Risk Management                                 | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>• The Risk Management documentation of the AMP has been upgraded to ISO 31000/2019 as recommended in the previous review by Cardno. The document sets out a broad series of risk groups and outlines areas where such threats could occur (e.g. supply to customers, HW personnel or the public, the environment and licence conditions breach);</li> <li>• Tables 11, 12 and 13 respectively assign values to the Consequences, Likelihood and Qualitative measure of risks;</li> <li>• Tables 14, 15 and 16 apply the above values to analysis of risks associated with Water Distribution to Customers, Incidents/Accidents Involving Personnel or the Public and Other Incidents/Accidents. The tables assign a risk level, management responsibility and the controls in place to mitigate or control the level of risk;</li> <li>• Finally, the risk management plan presents more detail on the practises and procedures applied to mitigate risks in the major areas of the system;</li> <li>• Reviewer considers the analysis appropriate - given the approach taken and the practises adopted and implemented; and</li> <li>• Reviewer noted the absence of analysis of risk associated with bush fire, flood, earthquake and loss of power. Each of these risks should be addressed in the document.</li> </ul> | B                         | 1                  |
| 9   | Contingency Planning                            | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>• HW has two separate documents which address procedures associated with risk. These are: <ul style="list-style-type: none"> <li>◦ <b>Crisis Management and Communications Plan</b> (dated April 2019), which provides broad examples of critical incidents and addresses the appointment of a Coordinator and action group to manage the incident and return to normal operations. The proposed response depends on the area threatened e.g. assets, customers, the public etc. The document sets out procedures for communications with customers and the public at large including the appointment of a spokesperson, the preparation of media releases and de-briefing and return to normal operations. Appendices to the document include contact details for</li> </ul> </li> </ul>  | C                         | 2                  |

| No. | Asset Management Process            | Review Priority | Observations and Recommendations   | Process and Policy Rating | Performance Rating |
|-----|-------------------------------------|-----------------|--|---------------------------|--------------------|
| 9   | Contingency Planning<br>(continued) |                 | <p>Administrative Staff, National Security Hotline, Emergency Services, Police and Local/National media; and</p> <ul style="list-style-type: none"> <li>○ <b>Emergency Plan</b> (dated September 2018). This document addresses the procedures to be adopted in emergency situations - at HW's office and warehouses, associated with fire, bushfire, flood, robbery, customer behavioural problems and medical emergency. Procedures include turning solar and mains power off, advice to HW's IT consultant regarding computer backup, alarming the security system and locking the building after evacuation. The document contains no emergency contact details. HW's new office and warehouse at No.1 Turnbull Road is not included in the locations list.</li> <li>• Both the above documents should be amalgamated and included, or at least referred to, in the AMP;</li> <li>• While the documents provide valuable information for an overall management approach and the range of incidents which could occur, they provide no indication of reporting, advice or actions required of field staff in the event of a physical malfunction or failure of assets;</li> <li>• The preparation of detailed contingency procedures over the broad combination of assets and possible incidents (as for Recommendation R9 of the 2016 Review) is not considered practical. Recommendation 12/2020 of this review is considered both an adequate and practical replacement recommendation; and</li> <li>• Staff in the field have a sound knowledge of the system - due to their involvement on a daily basis in its operation and maintenance. HW should conduct in-house workshops at which field staff discuss and define the implications, reporting and actions required to manage and minimize the effects of asset malfunction or failure scenarios. The scenarios should be prepared by the Works Manager who should facilitate, rather than lead the discussions. Participants should be encouraged to consider implications such as cost, damage, time intervals, access, delays etc. Minutes of proceedings should be prepared and distributed to participants. Existing procedures should be amended if considered necessary. It is suggested that workshops be conducted twice yearly, each considering a major and one minor scenario.</li> </ul> <p><b><u>Recommendation 12/2020:</u></b></p> <ul style="list-style-type: none"> <li>• That the Crisis Management and Communications Plan and Emergency Plan be amalgamated and included in the AMP;</li> <li>• That HW conducts in-house workshops at which field staff discuss and define the implications, reporting and actions required to manage and minimize the effects of a proposed asset malfunction or failure scenarios. The scenarios should be prepared by the Works</li> </ul> |                           |                    |

| No. | Asset Management Process         | Review Priority | Observations and Recommendations  | Process and Policy Rating | Performance Rating |
|-----|----------------------------------|-----------------|---|---------------------------|--------------------|
| 9   | Contingency Planning (continued) |                 | <p>Manager who should facilitate, rather than lead the discussions. Participants should be encouraged to consider implications such as cost, damage, time intervals, access, delays etc. Minutes of proceedings should be prepared and distributed to participants. Existing procedures should be amended if considered necessary. Workshops should be conducted twice yearly, each considering a major and one minor scenario; and</p> <ul style="list-style-type: none"> <li>That in-house workshops include selected scenarios of Recommendation R10 of the 2016 Review e.g. dam outage/ shutdown, pipe burst etc.</li> </ul>  |                           |                    |
| 10  | Financial Planning               | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>The AMP document contains no text heading or other information which addresses Financial Planning. The following documents were reviewed: <ul style="list-style-type: none"> <li>Financial Plan prepared by SWIMCO General Manager, which forecasts revenue, costs - including depreciation and tax, together with the net cash position for each year from 2019 to 2040;</li> <li>Annual Reports for the years 2016/17 and 2018/19. The results for prior years were provided in each document. Operating surplus for the years 2016/17 2017/18 and 2018/19 was noted to be in the range \$1.4 million to \$0.53 million. Total equity was in the range \$64.7 million to \$57.6 million;</li> <li>Excel working sheets addressing asset management costs monthly for 2019/20 and yearly for the period 2019/20 to 2023/24 for both SWIAC and SWIMCO;</li> <li>Excel work sheets setting out the basis for and calculation of asset maintenance levies chargeable to shareholders. Levy amounts are based on consideration of the replacement value, condition and theoretical remaining life of each asset group. Annual levies contribute to maintenance of asset condition and replacement if required; and</li> <li>Actual costs are compared against budget on a monthly basis and details included in submissions to the Board.</li> </ul> </li> <li>The above documents confirm competent financial planning and detail applied by HW. The Financial Plan predicts that HW will be in a sound financial position at least five to ten years hence, and longer; and</li> <li>HW should ensure that the current and future AMPs include the Financial Plan. The plan should include the current year and subsequent four years, on a rolling five years basis and should be updated annually.</li> </ul> | B                         | 1                  |

| No. | Asset Management Process     | Review Priority | Observations and Recommendations   | Process and Policy Rating | Performance Rating |
|-----|------------------------------|-----------------|--|---------------------------|--------------------|
| 11  | Capital Expenditure Planning | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>• The AMP Forward Works program lists six projects intended for completion during 2019/20. The projects are not listed as Capital or Maintenance related - although Reviewer considers five as being capital works due to their description. A further reference is made to longer term operational projects for both SWIMCO and SIWAC of which a further two appear to be capital works due to their description. There are no costs provided for these works - whether capital or maintenance;</li> <li>• Further in the Forward Works section of the AMP, a five-year Asset Maintenance Program is provided - for the years 2019/20 to 2023/24. The costings appear to contain the amalgamated works referred to above. But this could not be confirmed due to the absence of HW's Operations Manager following major surgery;</li> <li>• Whilst HW considers asset life in planning capital works expenditure, other factors including asset condition, performance, operational amendments, risk, return on investment, etc, are considered in deciding whether to increase maintenance, replace, or refurbish assets;</li> <li>• The Operations Budget for 2019/20, together with the Budget presentation to the Board provided details of capital and maintenance works proposed for 2019/20, together with estimates of cost. The list of overall Asset Management costs in the 2019/20 budget was found to be the same as that in the AMP Five Year Asset Maintenance program - except that the estimate of costs in the budget was noted to be about 5% higher than in the AMP's five-year Asset Maintenance Program. As the budget documents were prepared in May 2019 and the AMP later in June, the five-year program in the AMP clearly needs to be corrected to agree with the budget;</li> <li>• HW should ensure that the current and future AMPs include a more detailed capital replacement /refurbishment plan, including individual cost estimates which match those of the current year's budget. The plan should include the current year and subsequent four years, on a rolling five years basis and should be updated annually; and</li> <li>• In general, HW's documentation of Capital Expenditure Planning requires improvement. However, implementation of its Capital Expenditure/Maintenance program is considered thorough and practical.</li> </ul> | B                         | 1                  |

| No. | Asset Management Process              | Review Priority | Observations and Recommendations  | Process and Policy Rating | Performance Rating |
|-----|---------------------------------------|-----------------|---|---------------------------|--------------------|
| 12  | Review of the Asset Management System | As per Table 14 | <p><u>Observations:</u></p> <ul style="list-style-type: none"> <li>• HW's AMP contains a tabulated program for review of various documented procedures as follows:           <ul style="list-style-type: none"> <li>◦ One Year for Asset Condition, Operations Plan and Capital Investment;</li> <li>◦ Three Years for Levels of Service and Risk Analysis;</li> <li>◦ Five Years for Asset Environment and Asset Details; and</li> <li>◦ The Financial and Capital Investment plans are prepared annually for budget preparation and performance against budget which is tracked monthly for Board presentation.</li> </ul> </li> <li>• There is no review timeline for the AMP document, Asset Acquisition or Asset Disposal procedures, although the latter two are elements of the AMP;</li> <li>• Reviewer considers the suggested three and five-year review intervals for the procedures listed as being too long - as they can be affected by legislative and customer requirements and asset performance/replacement. It is considered that all AMP procedures and documentation should be reviewed annually by a senior staff member. The document(s) should contain a review history sheet showing the reviewer's name and review date. Necessary amendments should be listed and incorporated in the documents; and the document given a new version number;</li> <li>• Most of the documents provided for review were prepared or reviewed during 2019. Some prepared during earlier years had been reviewed on several listed occasions. The AMP as stated elsewhere, requires the inclusion of (or detailed reference to) its stand-alone procedure documents including Asset Acquisition and Disposal, Risk Analysis, Financial and Capital Expenditure Planning, Emergency/Contingency Plans; and</li> <li>• There has been no in-house or independent review of the Asset Management Systems since the previous review by Cardno. This review concludes that HW asset management, financial, operations and maintenance monitoring and reporting systems are well developed and appropriate for HW's business.</li> </ul> | B                         | 1                  |

Table 16: Review Observations and Recommendations

## 5.4 Current Review: Asset Management System Deficiencies and Recommendations

| Current Review: Asset Management System Deficiencies and Recommendations |        |                           |                     |
|--|--------|---------------------------|---------------------|
| A. Resolved During Current Review Period                                 |        |                           |                     |
| Reference  | Rating | Date Resolved             | Reviewer's Comments |
| Asset Management Process and Effectiveness Criterion                     |        | Harvey Water Action Taken |                     |
|  |        |                           |                     |

- There is no content in Part A.

Table 17: Current Review: Asset Management System Deficiencies and Recommendations (Part A)

## Current Review: Asset Management System Deficiencies and Recommendations

### B. Unresolved at End of Current Review Period

| Recommendation Reference<br>(no./year) | Rating<br>Asset Management Process and Effectiveness Criterion   | Reviewer's Recommendation  | Harvey Water Action Taken by End of Review Period         |
|--|--|--|---|
| Details of Deficiency                  |  |  |   |
| 11/2020                                | <ul style="list-style-type: none"> <li>• Rating: C 1;</li> <li>• Process: Asset Planning;</li> <li>• Effectiveness criterion: Asset Management Plan covers key requirements; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ Reviewer noted several of the above descriptions/policies are presented as separate “stand alone” documents, which clearly contribute to the overall management of the assets. Such documents include the Strategic Plan, Water Services Procedures Manual and Emergency and Crisis Plans, Policy Manual and Asset Creation and Disposal procedures; and</li> <li>○ The AMP does not indicate the existence of the associated documents, nor does it address all the twelve key processes subject to this Asset Management Review. However, they should be briefly described and referenced in the AMP and its table of contents. Similarly, reference to the AMP should also be made in each of these documents.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• That the AMP document be revised to address each of the twelve processes and effectiveness criteria outlined in Table 23 of the ERA’s: “2019 Audit and Review Guidelines - Water Licences March 2019”;</li> <li>• That the AMP include - or at least summarises and references, all “stand alone” documents prepared for the management of HW’s assets; and</li> <li>• That each “stand alone ”document also be referenced to the AMP.</li> </ul>                     | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 12/2020                                | <ul style="list-style-type: none"> <li>• Rating: C 2;</li> <li>• Process: Contingency Planning;</li> <li>• Effectiveness criterion; Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks; and</li> <li>• Details: <ul style="list-style-type: none"> <li>○ HW has two separate documents which address procedures associated with risk. These are:</li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• That the Crisis Management and Communications Plan and Emergency Plan be amalgamated and included in the AMP;</li> <li>• That HW conducts in-house workshops at which field staff discuss and define the implications, reporting and actions required to manage and minimize the effects a proposed asset malfunction or failure scenarios. The scenarios should be prepared by the Works Manager who should facilitate, rather than lead the discussions.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

## Current Review: Asset Management System Deficiencies and Recommendations

### B. Unresolved at End of Current Review Period

| Recommendation Reference<br>(no./year) | Rating   | Reviewer's Recommendation  | Harvey Water Action Taken by End of Review Period |
|--|--|--|---|
|  | Asset Management Process and Effectiveness Criterion   |  |   |
|  | Details of Deficiency  |  |   |
| 12/2020<br><b>(continued)</b>          | <ul style="list-style-type: none"> <li>• Crisis Management and Communications Plan (dated April 2019); and</li> <li>• Emergency Plan (dated September 2018).</li> </ul> <p>○ These two documents should be amalgamated and included, or at least referred to, in the AMP;</p> <p>○ While the documents provide valuable information for an overall management approach and the range of incidents which could occur, they provide no indication of reporting, advice or actions required of field staff in the event of a physical malfunction or failure of assets; and</p> <p>○ Staff in the field have a sound knowledge of the system - due to their involvement on a daily basis in its operation and maintenance. HW should conduct in-house workshops at which field staff discuss and define the implications, reporting and actions required to manage and minimize the effects of asset malfunction or failure scenarios. The scenarios should be prepared by the Works Manager who should facilitate, rather than lead the discussions. Participants should be encouraged to consider implications such as cost, damage, time intervals, access, delays etc. Minutes of proceedings should be prepared and distributed to participants. Existing procedures should be amended if considered necessary. It is suggested that workshops be conducted twice yearly, each considering a major and one minor scenario.</p> | <p>Participants should be encouraged to consider implications such as cost, damage, time intervals, access, delays etc. Minutes of proceedings should be prepared and distributed to participants. Existing procedures should be amended if considered necessary. Workshops should be conducted twice yearly, each considering a major and one minor scenario; and</p> <ul style="list-style-type: none"> <li>• That in-house workshops include selected scenarios of Recommendation R10 of the 2016 Review e.g. dam outage/shutdown, pipe burst etc.</li> </ul> |   |

**Table 17: Current Review: Asset Management System Deficiencies and Recommendations (Part B)**

## 6 Audit Opinion

To the best of my knowledge, this audit and review report is an accurate presentation of my findings and opinions.

---

Cameron Palassis  
Executive Director – Audit and Assurance

Paxon Group  
Level 5, 160 St Georges Terrace  
Perth WA 6000

Date: 12 June 2020

**Perth**

Level 5, 160 St Georges Terrace

Perth Western Australia 6000

Telephone: +61 8 9476 3144

Facsimile: +61 8 9476 3188

GPO Box 2753, Perth WA 6001

**Melbourne**

Level 27, 101 Collins Street

Melbourne VIC 3000

Telephone: +61 3 9111 0046

Facsimile: +61 3 9111 0045

**Sydney**

Level 57, MLC Centre, Martin Place

Sydney NSW 2000

Telephone: +61 2 8355 3690

Facsimile: +61 2 8355 3689

[www.paxongroup.com.au](http://www.paxongroup.com.au)

providing value