



South West Irrigation Management
Co-operative Limited (trading as
Harvey Water)

Operational Audit and Asset Management System Review

Audit Report

5 August 2014

PAXON GROUP

Private Client Services
Audit and Assurance
Taxation

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1 Executive Summary

Under the Water Services Act 2012, the Economic Regulation Authority (Authority) is responsible for, amongst other responsibilities, the following:

- Issuing water service licences to entities supplying potable water, non-potable water, sewerage, irrigation and drainage services in Western Australia that are not exempt from the requirement to hold a licence; and
- Monitoring and reporting to the Minister for Water on the operation of the licensing scheme, and compliance by licensees with their licences by arranging for regular operational audits and asset management system reviews.

The Authority, established under the Economic Regulation Authority Act 2003, granted a Water Services Operating Licence (Licence) to South West Irrigation Management Co-operative Limited (trading as Harvey Water) for the provision of non-potable water supply services and irrigation services. The Licence commenced on the 9th October 1996 and was last amended on the 18th November 2013.

In terms of the Licence, every 24 months, or such other period as the Authority specifies, Harvey Water is required to provide the Authority with an operational audit (Audit), conduct an asset management system review (Review) and provide the Authority with a report on the Audit and Review, both prepared by an auditor appointed by the Authority.

The Audit and Review were conducted in accordance with the Audit Guidelines: Electricity, Gas and Water Licences (August 2010), as compiled by the Authority. The Audit and Review were conducted in order to assess the licensee's level of compliance with the conditions of its Licence and the effectiveness of the asset management system.

The Audit and Review covered the period from 1 January 2010 to 17 November 2013 (Audit/Review Period).

2 Operational Audit

2.1 Overview

2.1.1 Summary of Opinion on the Control Environment

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

2.1.2 Overall Assessment

In the auditor's professional view, Harvey Water is achieving an acceptable level of compliance with the requirements of the Licence. A number of areas for improvement were identified that would improve the compliance. Refer to section 2.2 entitled: "Summary of Issues and Recommendations" for more details.

A number of non-compliances with the Licence conditions were identified. However, as a result of the amendments to the Water Services Operating Licence, dated 18 November 2013, no further action is required in respect of those non-compliances as identified. All of these non-compliances are included in section 2.11 entitled: "Observations and Recommendations".

2.1.3 Actions Taken on Previous Post-Audit Plan

The previous Audit was conducted by the Paxon Group in 2010. Two issues were identified and recommendations were made in respect of the issues identified. One of the issues identified is still outstanding. Both these issues are detailed in section 2.9 entitled: "Licensee's Response to Previous Audit Recommendations".

2.2 Summary of Issues and Recommendations

Licence Reference	Condition	Issue	Recommendation
Cl. 16.1		<ul style="list-style-type: none"> Harvey Water did not provide the Audit/Review report, for the period 1 January 2010 to 31 December 2012, to the Authority by 31 March 2013. As a result, the current Audit/Review Period was changed to be from 1 January 2010 to 17 November 2013. 	<ul style="list-style-type: none"> Comply with deadlines for the provision of information to the Authority.
Cl. 17.3		<ul style="list-style-type: none"> Harvey Water did not provide the Audit/Review report, for the period 1 January 2010 to 31 December 2012, to the Authority by 31 March 2013. As a result, the current Audit/Review Period was changed to be from 1 January 2010 to 17 November 2013. 	<ul style="list-style-type: none"> Comply with deadlines for the provision of information to the Authority.
Cl. 20 and Sch. 4		<ul style="list-style-type: none"> The Water Compliance Manual Datasheets - Rural Water Service Providers subject to NWI Reporting, states that the percentage of planned service interruptions with 5 business days' notice of the interruption provided to affected customers were as follows: <ul style="list-style-type: none"> 2009 – 2010: 100%; 2010 – 2011: 100%; 2011 – 2012: 100%; and 2012 – 2013: 14.3%. The service standard as included in Schedule 4 to the Licence states that in the preceding 12 month period 90% of all customers must have received the service standard; Harvey Water thus did not comply with the service standard in the 2012 – 2013 year; and Harvey Water has stated that in respect of the 2012 – 2013 year, all planned service interruptions occurred outside of the irrigation season and therefore did not affect customers. Harvey Water has stated that customers were notified of the service interruptions. 	<ul style="list-style-type: none"> Provide affected customers with 5 business days' notice of planned service interruptions irrespective of when the interruptions occur.
Cl. 21.1		<ul style="list-style-type: none"> Harvey Water submitted its annual Compliance Report for 2009 – 2010 and 2011 - 2012 late. 	<ul style="list-style-type: none"> Comply with deadlines for the provision of information to the Authority.

Licence Reference	Condition	Issue	Recommendation
Cl. 21.1		<ul style="list-style-type: none"> Harvey Water could not provide any proof that the annual Performance Reports for the 2009 – 2010, 2010 – 2011 and 2011 – 2012 years were submitted on time. However, the Authority did confirm that the above-mentioned Performance Reports were provided by their respective due dates. 	<ul style="list-style-type: none"> Keep a proper and easily accessible (centralised) record of all correspondence distributed to and received from the Authority.
Cl. 21.2 and Sch. 5 Cl. 2.1		<ul style="list-style-type: none"> Harvey Water's Annual Performance Reports for 2009 – 2010, 2010 – 2011, 2011 – 2012 and 2012 – 2013 complies, with three exceptions, with the specific performance reporting requirements contained in paragraphs 14 and 19 of the "Water Compliance Reporting Manual – July 2012"(Reporting Manual); The Performance Report for 2009 – 2010 does not disclose the stipulated information in respect of Telephone Service (section 19.1 of the Reporting Manual); The Complaints Register discloses that for: <ul style="list-style-type: none"> 2009 – 2010: nine customer complaints were received, one of which was not resolved within 15 business days; and 2010 – 2011: three customer complaints were received, one of which was not resolved within 15 business days. As per the "Water Compliance Manual Datasheet – Complaints", the percentages of customer complaints resolved within 15 business days were: <ul style="list-style-type: none"> 2009 – 2010: 100%; and 2010 – 2011: no complaints were received. 	<ul style="list-style-type: none"> Check information included in Performance Reports to ensure the accuracy and completeness thereof. Test the information against both the: <ul style="list-style-type: none"> Reporting Manual stipulations; and Source data used to produce the Performance Reports.

2.3 Objectives and Scope

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

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

The Audit has applied a risk-based approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the Licence.

The scope of the Audit covered the following areas:

- **Risk assessment** – the risks imposed by non-compliance with the Licence standards and development of a risk-based audit plan to focus on the higher risks areas, with less intensive coverage of medium and low risk areas;
- **Process compliance** – the effectiveness of systems and procedures in place throughout the Audit Period, including the adequacy of internal controls;
- **Outcome compliance** – the actual performance against standards prescribed in the Licence throughout the Audit Period;
- **Output compliance** – the existence of output from systems and procedures throughout the Audit Period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the Authority; and
- **Compliance with any individual licence conditions** – the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

2.4 Methodology

2.4.1 Fieldwork

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

management.

2.4.2 Audit Reporting

- Prior to the conclusion of the audit visit, discussed any observations and recommendations with the representative of the Licensee to confirm understanding of the issues and to agree upon the action to be taken;
- Provided a draft Audit and Review Report to the Authority for review. The Authority provided comments on the Draft Audit and Review Report to Paxon Group. Paxon Group considered the Authority's comments and made amendments to the Draft Audit and Review Report, as appropriate; and
- Provided the final Audit and Review Report to the Authority.

The Authority will forward the draft Audit and Review Report, with the Authority's comments to the Licensee for their comment. The Authority will procure the post-audit implementation plan from the Licensee.

2.5 Time Period Covered in Audit

The Audit covered the period from 1 January 2010 to 17 November 2013. The previous Audit covered the period from 1 October 2007 to 31 December 2009.

2.6 Time Period of Audit

The Audit was conducted on 19 June 2014 and 20 June 2014.

2.7 Licensee's Representatives

Harvey Water's primary contacts were as follows:

Staff Member	Position
Mr Geoff Calder	General Manager
Mr Stephen Cook	Operations Manager
Mrs Susan Boland	Corporate Services Manager/Accountant
Mrs Julie Harbour	Customer Service Officer

2.8 Key Documents and Other Information Sources

- South West Irrigation Management Co-operative Ltd – Harvey Water – Audit Plan - Operational Audit and Asset Management System Review of the Water Services Operating Licence for 2010 – 2013;
- Audit Guidelines: Electricity, Gas and Water Licences (August 2010);
- Water Compliance Reporting Manual - Water Services Licensing Act 1995 (July 2012);
- Water Services Operating Licence (15 May 2009);
- Water Services Operating Licence (4 October 2010);
- Water Services Operating Licence – South West Irrigation Management Co-

operative Ltd (t/a Harvey Water) – WL31, Version 4, 18 November 2013;

- Harvey Water - Operational Audit and Asset Management Review – Audit Report – March 2010;
- Plan numbers: OWR-OA-178/3 (D) and OWR – OA - 300;
- Harvey Water – Customer Service Charter – 2008 – 2010;
- South West Irrigation Management Cooperative Ltd – Harvey Water - Annual Report 2009/10;
- Harvey Water – South West Irrigation Management Cooperative Limited - Annual Report – 2010/11;
- Harvey Water – South West Irrigation Management Cooperative Limited - Annual Report – 2011/12;
- Harvey Water – 2012 – 2013 - Annual Report - South West Irrigation Management Cooperative Limited;
- Harvey Water Irrigation Scheme – Asset Management Plan – Incorporating the Risk Management Plan - December 2009, 2010, 2011 and 2012;
- Harvey Water - Compliance Reports (2009/2010, 2010/2011, 2011/2012 and 2012/2013);
- Harvey Water - Water Compliance Manual Datasheets (2009/2010, 2010/2011, 2011/2012 and 2012/2013);
- Procedures for Customer Complaints Process and Reporting;
- Complaints Register for period 1 July 2009 to 30 June 2014;
- Harvey Water – Reporting & Communication Requirements;
- Harvey – Rural Water Service Connection Agreement;
- Water Service Connection Agreement – Harvey Pipeline; and
- Communication received from the ERA (during the Audit Period).

2.9 Licensee's Response to Previous Audit Recommendations

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Cl. 2, Sch. 2	<ul style="list-style-type: none"> Harvey Water should maintain documentary evidence of approval from Authority to operate outside the designated area under the licence; and Measures should be implemented to ensure non-compliance with this condition does not occur in the future. 	<ul style="list-style-type: none"> The Licence was amended on 4 October 2010 to: <ul style="list-style-type: none"> Expand the existing operating area; (map OWR-OA-178/3 (D)); and Create a new operating area (map OWR – OA -300). No specific controls were implemented to discontinue the provision of water services outside the operating area, as referred to in the previous audit report, prior to the expansion of that area in terms of the Licence dated 4 October 2010; and Harvey Water has stated that no infrastructure exists to supply water services outside the operating areas as disclosed on plan numbers: <ul style="list-style-type: none"> OWR – OA – 178/3 (D); and OWR – OA – 300. 	<ul style="list-style-type: none"> No further action is required. 	Resolved
Cl. 21 Sch. 5, Cl. 2	<ul style="list-style-type: none"> Harvey Water should develop formalised documented procedures capturing all the compliance requirements under the licence. This document should also capture the assigned responsibility and deadlines for each task. 	<ul style="list-style-type: none"> Harvey Water uses a reporting matrix entitled: "Harvey Water – Reporting & Communication Requirements" (Reporting Matrix). The Reporting Matrix includes: <ul style="list-style-type: none"> Legal obligations; Dates therefore; and Assigned responsibility. The Corporate Services Manager is 	<ul style="list-style-type: none"> Update the Reporting Matrix to reflect the obligations referred to in the Licence dated 18 November 2013. Take care to include all reportable items as listed in that version of the Licence and not only items of a repetitive nature. 	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Cl. 21 Sch. 5, Cl. 2 (continued)		<p>responsible to maintain the Reporting Matrix; and</p> <ul style="list-style-type: none"> The Reporting Matrix currently lists obligations as included in previous versions of the Licence. 		

2.10 Performance Summary

2.10.1 Compliance Rating Scale

Compliance Status	Rating	Description of Compliance
Compliant	5	<ul style="list-style-type: none"> Compliant with no further action required to maintain compliance.
Compliant	4	<ul style="list-style-type: none"> Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance.
Compliant	3	<ul style="list-style-type: none"> Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance.
Non-Compliant	2	<ul style="list-style-type: none"> Does not meet minimum requirements.
Significantly Non - Compliant	1	<ul style="list-style-type: none"> Significant weaknesses and/or serious action required.
Not Applicable	N/A	<ul style="list-style-type: none"> Determined that the compliance obligation does not apply to the licensee's business operations.
Not Rated	N/R	<ul style="list-style-type: none"> No relevant activity took place during the Audit period; therefore it is not possible to assess compliance.

2.10.2 Operational Audit Compliance Summary

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Grant of Licence	Cl. 2 & Sch. 1 & Sch. 2	3	B	H	W					✓		
Term	Cl. 3	1	C	L	S							✓
Fees	Cl. 4	1	C	L	S							✓
Compliance	Cl. 5	3	B	H	W					✓		
Customer Complaints	Cl. 6 & Sch. 3: Cl. 3	3	B	H	S					✓		

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Customer Service Charter (excluding Sch. 3, Cl. 2.5(c))	Cl. 7 & Sch. 3: Cl.2	2	B	M	S					✓		
Customer Service Charter	Sch. 3, Cl. 2.5 (c)	2	B	M	S		✓					
Customer Consultation	Cl. 8 & Sch. 3: Cl. 4	2	B	M	S					✓		
Customer Contracts	Sch. 3: Cl. 5	1	C	L	S							✓
Customer Surveys	Sch. 3: Cl. 6	1	C	L	S					✓		

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Transfer of Licence	Cl. 10	Authority has the ability to independently assess compliance if the clause is exercised during the Audit Period.										✓
Cancellation of Licence	Cl. 11											✓
Surrender of Licence	Cl. 12											✓
Renewal of Licence	Cl. 13											✓
Amendment of Licence	Cl. 14										✓	
Accounting Records	Cl. 15	3	B	H	S					✓		

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Operational Audit	Cl. 16	1	C	L	S		✓					
Asset Management System	Cl. 17	3	B	H	S		✓					
Reporting	Cl. 18	1	C	L	S							✓
Individual Performance Standards	Cl. 19	1	C	L	S							✓
Service and Performance Standards	Cl. 20 & Sch. 4	3	B	H	S		✓					
Provision of Information	Cl. 21.1	3	B	H	W		✓					

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Information Requirements (Reporting)	Cl. 21.2 & Sch. 5	3	B	H	W		✓					
Publishing Information	Cl. 22	1	C	L	S					✓		
Notices	Cl. 23	1	C	L	S					✓		
Review of the Authority's Decisions	Cl. 24	1	C	L	S							✓
Other Provisions	Sch. 6: Cl. 2	3	B	H	S					✓		

2.11 Observations and Recommendations

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence	Cl. 2 and Sch. 1 and Sch.2	<ul style="list-style-type: none"> A Water Services Operating Licence (Licence) was granted by the Economic Regulation Authority (Authority) to South West Irrigation Management Co-operative Limited trading as Harvey Water (Harvey Water); As per Schedule 1 of the Licence, dated 4 October 2010, it: <ul style="list-style-type: none"> Commenced on 9 October 1996; and Expires on 9 October 2021. This Licence version amended the commencement date of the Licence from 28 October 2003 to 9 October 1996; The document entitled: "Harvey Water Irrigation Scheme – Asset Management Plan – December 2009" (Asset Management Plan), incorporates a risk management plan. Section 8.1 of the Asset Management Plan entitled: "The Purpose of Risk Management" states: <p>"For Harvey Water, Risk Management is a key element in the management process that will ensure:</p> <p>.....4 Compliance with licence conditions and other statutes...";</p> As per Schedule 2 to the Licence, dated 4 October 2010, Harvey Water may provide irrigation services and non-potable water supply to, and within, those areas designated by reference to plan numbers: <ul style="list-style-type: none"> "OWR – OA – 178/3 (D) (expansion of existing operating area); and 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence (continued)	Cl. 2 and Sch. 1 and Sch. 2 (continued)	<ul style="list-style-type: none"> • “OWR – OA – 300” (creation of a new operating area). • Plan number “OWR – OA – 178/3 (D)” refers to the South West irrigation operating area approved by the Authority for the purposes of the provision of the indicated water service; • Plan number “OWR – OA – 300” refers to the Upper Collie operating area approved by the Authority for the purposes of the provision of the indicated water service; • No specific controls were implemented to discontinue the provision of water services outside the operating area, as referred to in the previous audit report, prior to the expansion of that area in terms of the Licence dated 4 October 2010; • Harvey Water has stated no infrastructure exists to supply water services outside the operating areas as disclosed on plan numbers: <ul style="list-style-type: none"> • OWR – OA – 178/3 (D); and • OWR – OA – 300. • Harvey Water did provide a comprehensive set of maps of the operating areas for audit purposes; and • Harvey Water has stated, during the Audit Period, except as indicated above, it provided irrigation services and non-potable water supply only to, and within, those areas approved by the Authority for the purposes of the provision of the indicated water services. 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Term	Cl. 3	<ul style="list-style-type: none"> Harvey Water has stated the Licence was not cancelled during the Audit Period; Harvey Water has stated the Licence was not surrendered during the Audit Period; and As per Schedule 1 to the Licence, it expires on 9 October 2021 in respect of both the irrigation services and non-potable water supply. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Fees	Cl. 4	<ul style="list-style-type: none"> Harvey Water has stated no fees were payable in accordance with the Regulations during the Audit Period. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Compliance	Cl. 5	<ul style="list-style-type: none"> As stated above, Harvey Water does acknowledge its obligation to comply with relevant legislation. The document entitled: "Harvey Water Irrigation Scheme – Asset Management Plan – December 2009" (Asset Management Plan), incorporates a risk management plan. Section 8.1 of the Asset Management Plan entitled: "The Purpose of Risk Management" states: "For Harvey Water, Risk Management is a key element in the management process that will ensure: 4 Compliance with licence conditions and other statutes..."; Harvey Water uses a reporting matrix entitled: "Harvey Water – Reporting & Communication Requirements" (Reporting Matrix). The Reporting Matrix includes: <ul style="list-style-type: none"> Legal obligations; Dates therefore; and Assigned responsibility. 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Compliance (continued)	Cl. 5 (continued)	<ul style="list-style-type: none"> The Corporate Services Manager is responsible to maintain the Reporting Matrix; and Harvey Water has stated, during the Audit Period, no direction was received from the Authority in writing to do any measure necessary to: <ul style="list-style-type: none"> Correct the breach of any applicable legislation; or Prevent the breach of any applicable legislation occurring again. 		
Customer Complaints	Cl. 6 and Sch. 3: Cl. 3	<ul style="list-style-type: none"> Harvey Water has implemented the following customer complaints processes: <ul style="list-style-type: none"> Emergency assistance; and Complaints and dispute resolution. Emergency contact numbers are provided on the last page of the Customer Service Charter; Section 5 entitled: "Customer Contact" in the Customer Service Charter states the following in respect of emergency assistance: "We will respond to reports of faults within the irrigation system within two working days unless the fault is deemed urgent by the General Manager or Operations Manager. Urgent faults will be responded to within two hours. Initial responses may be by telephone or personal visit by a Harvey Water employee or contractor."; Section 5 entitled: "Customer Contact" in the Customer Service Charter states the following in respect of complaints and dispute resolution: "We will respond to your enquiries and 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Cl. 6 and Sch. 3: Cl. 3 (continued)	<p>complaints courteously and efficiently. If you are not satisfied with our initial response to your complaint, you may refer the complaint to our disputes resolution committee. If your complaint has not been resolved to your satisfaction within 15 business days, you may refer the matter to the Department of Water for resolution.”;</p> <ul style="list-style-type: none"> • Harvey Water’s website does not display a link for the Customer Service Charter; • The Licence issued to Harvey Water, dated 18 November 2013, does not stipulate that Harvey Water need to have a Customer Service Charter. As a result, no recommendation is made in respect of the fact Harvey Water’s website does not display a link for the Customer Service Charter; • Harvey Water’s website does display all the emergency contact numbers disclosed in the Customer Service Charter; • Harvey Water does have a customer complaints procedure document entitled: “Procedures for Customer Complaints Process and Reporting” (Procedure Manual); • The Procedure Manual states: “Customer complaints must be responded to within 15 days.”; • The Licence issued to Harvey Water, dated 18 November 2013, as applicable at present, does not stipulate that customer complaints must be resolved within 15 business days. As a result, no recommendation is made in respect of the fact that the Procedure Manual is not 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Cl. 6 and Sch. 3: Cl. 3 (continued)	<p>technically correct;</p> <ul style="list-style-type: none"> Harvey Water maintained a complaints register during the Audit Period within which it recorded details of complaints received; The Complaints Register recorded appropriate detail of complaints received during the Audit Period; The Complaints Register is kept by the Customer Service Officer; The Complaints Register discloses that nine customer complaints were received during the period 1 July 2009 to 30 June 2010, one of which was not resolved within 15 business days; The Complaints Register discloses that three customer complaints were received during the period 1 July 2010 to 30 June 2011, one of which was not resolved within 15 business days; The Procedure Manual specifically provides for the allocation of a unique complaint number to each complaint; A 5 digit numeric number was allocated to each complaint recorded in the Complaints Register during the Audit Period; Section 1.2 of the Procedure Manual is entitled: "Designated Complaint Handling Officers"; Harvey Water at present employees a: <ul style="list-style-type: none"> Customer Service Officer; Operations Manager; and General Manager. Section 1.3 of the Procedure Manual is entitled: 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Cl. 6 and Sch. 3: Cl. 3 (continued)	<p>“Complaint Register Reporting.”;</p> <ul style="list-style-type: none"> The Procedure Manual does provide for recording the number, nature and outcome of complaints; Harvey Water has stated that, to the best of their knowledge, no complaints were investigated by the Department of Water during the Audit Period; The Licence issued to Harvey Water, dated 18 November 2013, does not refer to cooperation with the Department of Water during its investigation and conciliation of complaints. As a result, no recommendation is made in respect of the fact that neither the Customer Service Charter nor the Procedure Manual refers to Harvey Water’s cooperation with the Department of Water during its investigation and conciliation of complaints; and The Licence issued to Harvey Water, dated 18 November 2013, does not refer to the provision of information to the Department of Water. As a result, no recommendation is made in respect of the fact that neither the Customer Service Charter nor the Procedure Manual refers to the provision of information to the Department of Water. 		
Customer Service Charter	Cl. 7 and Sch. 3: Cl. 2	<ul style="list-style-type: none"> Harvey Water has issued a document entitled: “Customer Service Charter – 2008 – 2010” (Customer Service Charter); The Authority approved this Customer Service Charter in their letter to Harvey Water dated 16 January 2009; An updated document entitled: “Customer 	<ul style="list-style-type: none"> No recommendation is made. 	<p>5</p> <p>(Excluding Sch. 3 Cl. 2.5(c) for which the rating is 2)</p>

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Service Charter (continued)	Cl. 7 and Sch. 3: Cl. 2 (continued)	<p>Service Charter – Issued January 2014” was given out in January 2014;</p> <ul style="list-style-type: none"> • The Customer Service Charter is drafted in ‘plain English’; • The Customer Service Charter is comprehensive and deals with the rights and responsibilities of both Harvey Water and its customers; • No distinction is made in the Customer Service Charter between classes of customers; • The Customer Service Charter is currently displayed at the reception area of Harvey Water’s offices in Harvey; • Harvey Water has stated copies of the Customer Service Charter, were provided upon request, and at no charge, to customers during the Audit Period; • Harvey Water has stated the document entitled: “Customer Service Charter – 2008 – 2010” was distributed to all shareholders in January 2009; • As indicated above, the Customer Service Charter was last distributed to customers in January 2009 and was not distributed to customers during the Audit Period. As such, Harvey Water did not comply with the stipulations of Schedule 3, Clause 2.5(c); • The Licence issued to Harvey Water, dated 18 November 2013, does not stipulate that Harvey Water need to have a Customer Service Charter. As a result, no recommendation is made in respect of: 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Service Charter (continued)	Cl. 7 and Sch. 3: Cl. 2 (continued)	<ul style="list-style-type: none"> The fact that the Customer Service Charter was not distributed to all customers during the Audit Period; and The review of the Customer Service Charter. Except for the recommendations made in this Report, the Audit concluded that Harvey Water provided its services in a way which is consistent with its Customer Service Charter during the Audit Period. 		
Customer Consultation	Cl. 8 and Sch. 3: Cl. 4	<ul style="list-style-type: none"> Section 5 entitled: "Customer Contact" in the Customer Service Charter states: "We will keep our customers fully informed of all matters which may affect them through direct mail, newsletters, notices in newspapers circulating in the district and advice through local radio stations. In particular, we will publish details of rates and charges applicable for the next financial year and other relevant information in June of each year in a newsletter which will be mailed to each customer. At least two other newsletters will be produced each year." "We will make available for inspection in our office during normal business hours, plans of the irrigation system, and copies of legislation and by-laws relevant to the irrigation business."; Harvey Water has stated no Customer Council exists, as referred to in Schedule 3: Clause 4.1(a) of the Licence; Harvey Water has complied with the conditions of Clause 4.1 (b) (i) to (iii) of the 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Consultation (continued)	Cl. 8 and Sch. 3: Cl. 4 (continued)	<p>Licence by:</p> <ul style="list-style-type: none"> Distributing a newsletter entitled: "The Harvey Water "Furphy" " to its shareholders. This newsletter was produced on a "needs basis". On average, the newsletter was produced 3 times per calendar year; Distributing "Information Bulletins" during the period June 2011 to August 2012; Holding annual irrigators meetings in the second half of the year during the Audit Period. (The contents of the meetings are discussed below.); Holding annual general meetings of shareholder, mostly, in October each year during the Audit Period; Holding special irrigators meetings on a needs basis during the Audit Period; Including information on a needs basis in the "Did you Know" sections of the following newspapers: <ul style="list-style-type: none"> Harvey Reporter; and South Western Times. The Auditor sighted appropriate documentation in regard to Harvey Water's compliance with Schedule 3: Clause 4.1 (b) (i) to (iii) of the Licence; Harvey Water did not consult the Authority with respect to the type and extent of customer consultation to be adopted by it during the Audit Period, as referred to in Schedule 3: Clause 4.2 of the Licence; 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Consultation (continued)	Cl. 8 and Sch. 3: Cl. 4 (continued)	<ul style="list-style-type: none"> The Licence dated 18 November 2013 does not contain any specific stipulations with respect to customer consultation. As a result, no recommendation is made in respect of consulting the Authority regarding the type and extent of customer consultation to be adopted by Harvey Water; Harvey Water has stated that it did not, nor did the Authority request, the establishment of other forums for consultation during the Audit Period, as referred to in Schedule 3: Clause 4.3 of the Licence; The Reporting Matrix does state that an Annual Irrigators Meeting must be held in August each year. The matrix further states that customers must be notified of new charges on the 30th June each year; The agenda for the Annual Irrigators meetings held in 2010, 2011, 2012 and 2013 specifically referred to: <ul style="list-style-type: none"> Scheme operation; and Tariffs (2012 excluded), as referred to in Schedule 3: Clause 4.4 (b) and (c) of the Licence; and Harvey Water has stated season opening and closing times were separately advertised under the Public Notices section in the following newspapers during the Audit Period: <ul style="list-style-type: none"> Harvey Reporter; South Western Times; and Bunbury Herald, as referred to in Schedule 3: Clause 4.4 (a) of the Licence. 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Contracts	Sch. 3: Cl. 5	<ul style="list-style-type: none"> Harvey Water has stated no agreements were entered into with customers to provide water services that exclude, modify or restrict the <i>terms and conditions</i> of the Operating Licence during the Audit Period. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Customer Surveys	Sch. 3: Cl. 6	<ul style="list-style-type: none"> The Customer Service Charter states: “We will carry out surveys seeking customer input or opinions on general or specific aspects of Harvey Water’s service delivery or proposed changes to the nature of the services delivered, every two years or at more frequent intervals if required by Government.”; Harvey Water has stated it did include a number of core questions in its customer surveys as a result of the requirements of the Authority during the Audit Period; and Audit sighted a customer survey conducted in 2011 which included Authority specified questions within the list of questions asked. 	<ul style="list-style-type: none"> No recommendation is made. 	5
Transfer of Licence	Cl. 10	<ul style="list-style-type: none"> Harvey Water has stated the Licence was not transferred during the Audit Period. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Cancellation of Licence	Cl. 11	<ul style="list-style-type: none"> Harvey Water has stated the Licence was not cancelled during the Audit Period. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Surrender of Licence	Cl. 12	<ul style="list-style-type: none"> Harvey Water has stated the Licence was not surrendered during the Audit Period. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Renewal of Licence	Cl. 13	<ul style="list-style-type: none"> The Licence was not renewed during the Audit Period; and As per Schedule 1 to the Licence, the Licence: <ul style="list-style-type: none"> Commenced on 9 October 1996; and Expires on 9 October 2021. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Amendment of Licence	Cl. 14	<ul style="list-style-type: none"> As stated above, the Licence was amended on 4 October 2010 to: <ul style="list-style-type: none"> Expand the existing operating area; Create a new operating area; and Amend the commencement date from 28 October 2003 to 9 October 1996. The Licence was not substituted during the Audit Period. However, the Licence was amended by substitution on 18 November 2013 as a result of the Water Services Act 2012. 	<ul style="list-style-type: none"> No recommendation is made. 	N/A
Accounting Records	Cl. 15	<ul style="list-style-type: none"> The Reporting Matrix includes specific entries for the performance of the annual audit and the issue of the Annual Report, including the Financial Report; Harvey Water uses policy documents as implemented by the Board and procedure documents to help maintain its accounting records; Harvey Water's Annual Report for 2012/2013 states: "The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards of the Australian Accounting Standards Board and the Co-operatives Act 2009." (As per paragraph 1 entitled: "Statement of Significant Accounting Policies – Basis of Preparation" of the "Notes to the Financial Statements for the Year Ended 30 June 2013".); Harvey Water uses a custom designed billing system entitled: "Bob". On a monthly basis 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Accounting Records (continued)	Cl. 15 (continued)	<p>information processed in “Bob” is transferred to MYOB to maintain Harvey Water’s accounting records;</p> <ul style="list-style-type: none"> Accounting records are maintained by the Corporate Services Manager who reports directly to the General Manager; AMD Chartered Accountants (Auditor) conducted audits of the Financial Reports of Harvey Water for the years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013; The Auditor expressed unqualified opinions in respect of the Financial Reports for the years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013; and In his opinion, in respect of the Financial Report for the year ended 30 June 2013, the Auditor specifically stated that the Financial Report complied with: <ul style="list-style-type: none"> Australian Accounting Standards and the Co-operatives Regulations 2010; and International Financial Reporting Standards as disclosed in Note 1 to the Financial Report. 		
Operational Audit	Cl. 16	<ul style="list-style-type: none"> Harvey Water did not provide the Audit/Review report, for the period 1 January 2010 to 31 December 2012, to the Authority by 31 March 2013. As a result, the current Audit/Review Period was changed to be from 1 January 2010 to 17 November 2013; The Reporting Matrix contains specific entries for the performance of the Operational Audit and Asset Management System Review; 	<ul style="list-style-type: none"> Comply with deadlines for the provision of information to the Authority. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Operational Audit (continued)	Cl. 16 (continued)	<ul style="list-style-type: none"> The previous Audit was conducted for the period from 1 October 2007 to 31 December 2009. (As per paragraph 2.3 entitled: "Time Period Covered in Audit/Review" of the previous Audit Report dated March 2010.); As indicated above, the current Audit covers the period from 1 January 2010 to 17 November 2013. (As per paragraph 2.1 entitled: "Operational Audit" of the "South West Irrigation Management Co-operative Limited – Harvey Water - Audit Plan" (Audit Plan), as approved by the ERA.); The Audit Plan for the 2010/2013 Audit and Review was approved by the Authority, as per their letter to the Paxon Group dated 8 May 2014; The Audit Plan for 2010/2013 includes, in respect of the Audit: <ul style="list-style-type: none"> Audit objectives and scope (section 2.1); Risk assessment (section 3); Fieldwork (section 4.2); and Audit reporting (section 4.4). (As on pages 4, 7 – 8 and 10 - 11 of the Audit Plan respectively.); Harvey Water has stated no review was sought of any of the requirements of the Authority's standard audit guidelines during the Audit Period; The Authority appointed the Paxon Group to conduct the Audit and Review of Harvey Water for 2010/2013; This appointment took place in April 2014 and was thus done in terms of the stipulations of 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Operational Audit (continued)	Cl. 16 (continued)	<p>clause 14.2 of the Licence dated 18 November 2013;</p> <ul style="list-style-type: none"> • Paxon Group agreed the terms of the engagement with the Authority on 29 April 2014; and • The fieldwork for the 2010/2013 Audit was performed in June 2014. 		
Asset Management System	Cl. 17	<ul style="list-style-type: none"> • Harvey Water does have a document entitled: "Harvey Water Irrigation Scheme – Asset Management Plan – December 2009" (Asset Management Plan). This plan was updated in 2010, 2011 and 2012; • Harvey Water has stated no material changes to the asset management system took place during the Audit Period; • Harvey Water did not provide the Audit/Review report, for the period 1 January 2010 to 31 December 2012, to the Authority by 31 March 2013. As a result, the current Audit/Review Period was changed to be from 1 January 2010 to 17 November 2013; • The Reporting Matrix contains specific entries for the performance of the Audit and Review; • The previous Review was conducted for the period from 1 October 2007 to 31 December 2009. (As per paragraph 2.3 entitled: "Time Period Covered in Audit/Review" of the previous Audit Report dated March 2010.); • As indicated above, the current Review covers the period from 1 January 2010 to 17 November 2013. (As per paragraph 2.3 entitled: "Asset Management System Review" of the "South West Irrigation Management Co- 	<ul style="list-style-type: none"> • Comply with deadlines for the provision of information to the Authority. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Asset Management System (continued)	Cl. 17 (continued)	<p>operative Limited – Harvey Water - Audit Plan” (Audit Plan), as approved by the ERA.):</p> <ul style="list-style-type: none"> • The Audit Plan for the 2010/2013 Audit and Review was approved by the Authority, as per their letter to the Paxon Group dated 8 May 2014; • The Audit Plan for 2010/2013 includes, in respect of the Review: <ul style="list-style-type: none"> • Audit objectives and scope (section 2.3); • Risk assessment (section 3); • Fieldwork (section 4.3); and • Audit reporting (section 4.4). <p>(As on pages 5, 9 and 10 – 11 of the Audit Plan respectively.);</p> <ul style="list-style-type: none"> • Harvey Water has stated no review was sought of any of the requirements of the Authority’s standard guidelines dealing with the Review during the Audit Period; • The Authority appointed the Paxon Group to conduct the Audit and Review of Harvey Water for 2010/2013; • This appointment took place in April 2014 and was thus done in terms of the stipulations of clause 14.2 of the Licence dated 18 November 2013; • Paxon Group agreed the terms of the engagement with the Authority on 29 April 2014; and • The fieldwork for the 2010/2013 Review was performed in June 2014. 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Reporting	Cl. 18	<ul style="list-style-type: none"> Harvey Water has stated it was not under external administration during the Audit Period; and Harvey Water has stated no significant change occurred, during the Audit Period, in its corporate, financial or technical circumstances upon which the Licence was granted which may affect its ability to meet its obligations under the Licence. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Individual Performance Standards	Cl. 19	<ul style="list-style-type: none"> Harvey Water has stated the Authority did not prescribe any individual performance standards in relation to the licensee's obligations under the Licence or the applicable legislation during the Audit Period. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Service and Performance Standards	Cl. 20 and Sch. 4	<ul style="list-style-type: none"> The Reporting Matrix specifically refers to the provision of data for performance monitoring purposes; <u>Annual notification water supplied is not suitable for drinking:</u> The Customer Service Charter states: "Harvey Water supplies <u>non-potable water</u> 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."; In addition, customer are informed that Harvey Water only supplies water for irrigation purposes and that this water is not potable by means of: <ul style="list-style-type: none"> Annual charges invoices (three instalments per year) distributed to all customers; and 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Cl. 20 and Sch. 4 (continued)	<ul style="list-style-type: none"> Monthly consumption invoices. The Water Compliance Manual Datasheets - Rural Water Service Providers subject to NWI Reporting, states that 100% of customers provided with non-potable (water) received annual advice that the water supplied was not suitable for drinking in respect of the following years: <ul style="list-style-type: none"> 2009 – 2010; 2010 – 2011; 2011 – 2012; and 2012 – 2013. Harvey Water thus met the performance standard across the four years included in the Audit Period; <p><u>Supply water that is suitable for irrigation purposes:</u></p> <ul style="list-style-type: none"> The Customer Service Charter states: “We will work with the Water Corporation, who under the Bulk Water Supply Agreement, is required to endeavour to deliver water with less than 1000 mg/litre of Total Dissolved Solids.”; Harvey Water takes samples of salinity levels on a regular basis during the irrigation season. Audit sighted board reports across the Audit Period that discloses information in respect of salinity levels as measured; The Water Compliance Manual Datasheets - Rural Water Service Providers subject to NWI Reporting, states that the quality of water provided (mg per litre of dissolved solids) across the 2009/2010 to 2012/2013 year were as 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Cl. 20 and Sch. 4 (continued)	<p>follows:</p> <ul style="list-style-type: none"> Wellington (1100 to 1200); Harvey (200 to 315); and Warooka (160 to 250). <p>Harvey Water thus met the performance standard across the four years included in the Audit Period;</p> <p><u>Complaints to be resolved within 15 business days:</u></p> <ul style="list-style-type: none"> The Water Compliance Manual Datasheets - Rural Water Service Providers subject to NWI Reporting, states that the percentage of customer complaints resolved within 15 business days were as follows: <ul style="list-style-type: none"> 2009 – 2010: 100%; 2010 – 2011: Not applicable; 2011 – 2012: 100%; and 2012 – 2013: 100%. Harvey Water thus appears to have met the performance standard for resolving customer complaints within 15 business days; However, as per the complaints register, the number of complaints received were as follows: <ul style="list-style-type: none"> 2009 – 2010: nine complaints; and 2010 – 2011; three complaints. As per the complaints register, in both 2009 – 2010 and 2010 – 2011, one complaint received was not resolved within 15 business days; As a result, the actual percentage of customer complaints resolved within 15 business days 	<ul style="list-style-type: none"> No recommendation is made. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Cl. 20 and Sch. 4 (continued)	<p>were as follows:</p> <ul style="list-style-type: none"> • 2009 – 2010: 89%; and • 2010 – 2011: 66.67%. <ul style="list-style-type: none"> • Harvey Water thus did not meet the performance indicator in either the 2009 – 2010 or 2010 – 2011 year; • The Licence issued to Harvey Water, dated 18 November 2013, does not contain any performance measures in respect of customer complaints. As a result, no recommendation is made in respect of the fact Harvey Water did not resolve at least 90% of customer complaints within 15 business days during 2009 – 2010 or 2010 - 2011; <p><u>Planned service interruptions with 5 business days' notice:</u></p> <ul style="list-style-type: none"> • The Customer Service Charter states: “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.” “If a planned disruption to supply is required we will advise all customers affected in writing at least 14 days before the disruption occurs outlining the reason for the disruption and the expected duration.”; • The Water Compliance Manual Datasheets - Rural Water Service Providers subject to NWI Reporting, states that the percentage of planned service interruptions with 5 business days' notice of the interruption provided to affected customers were as follows: <ul style="list-style-type: none"> • 2009 – 2010: 100%; 	<ul style="list-style-type: none"> • Provide affected customers with 5 business days' notice of planned service interruptions irrespective of when the interruptions occur. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Cl. 20 and Sch. 4 (continued)	<ul style="list-style-type: none"> • 2010 – 2011: 100%; • 2011 – 2012: 100%; and • 2012 – 2013: 14.3%. • The service standard as included in Schedule 4 to the Licence states that in the preceding 12 month period 90% of all customers must have received the service standard; • Harvey Water thus did not comply with the service standard in the 2012 – 2013 year; and • Harvey Water has stated that in respect of the 2012 – 2013 year, all planned service interruptions occurred outside of the irrigation season and therefore did not affect customers. Harvey Water has stated that customers were notified of the service interruptions. 		
Provision of Information	Cl. 21.1	<ul style="list-style-type: none"> • As stated above, the Reporting Matrix includes: <ul style="list-style-type: none"> • Legal obligations; • Dates therefore; and • Assigned responsibility. • The Reporting Matrix specifically refers to the provision of data for both compliance reporting purposes and performance monitoring purposes; • The Corporate Services Manager is responsible to maintain the Reporting Matrix; • As stated above, Harvey Water does acknowledge its obligation to comply with relevant legislation. The document entitled: “Harvey Water Irrigation Scheme – Asset Management Plan – December 2009” (Asset Management Plan), incorporates a risk 	<ul style="list-style-type: none"> • Comply with deadlines for the provision of information to the Authority; and • Keep a proper and easily accessible (centralised) record of all correspondence distributed to and received from the Authority. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Provision of Information (continued)	Cl. 21.1 (continued)	<p>management plan. Section 8.1 of the Asset Management Plan entitled: "The Purpose of Risk Management" states:</p> <p>"For Harvey Water, Risk Management is a key element in the management process that will ensure:</p> <p>.....4 Compliance with licence conditions and other statutes...";</p> <ul style="list-style-type: none"> • Harvey Water submitted its annual Compliance Report for 2009 – 2010 and 2011 – 2012 late; • Harvey Water submitted its annual Compliance Reports for 2010 – 2011 and 2012 – 2013 on time; • Harvey Water submitted its annual Performance Report for 2012 – 2013 on time; • Harvey Water could not provide any proof that the annual Performance Reports for the 2009 – 2010, 2010 – 2011 and 2011 – 2012 years were submitted on time. However, the Authority did confirm that the above-mentioned Performance Reports were provided by their respective due dates; • The 2009 - 2010 Compliance Report disclosed one instance of non-compliance with the Licence obligations. This instance related to the provision of water beyond the designated area stated under the Licence; • The 2010 – 2011 Compliance Report disclosed two instances of non-compliance with the Licence obligations. This instances related to: <ul style="list-style-type: none"> • Late submission of the compliance report for 2009 – 2010; and 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Provision of Information (continued)	Cl. 21.1 (continued)	<ul style="list-style-type: none"> Not resolving a customer complaint within 15 business days. The 2012 - 2013 Compliance Report disclosed one instance of non-compliance with the Licence obligations. This instance related to the late submission of the compliance report for 2011 – 2012; and The Annual Compliance Reports did comply, for the greater part, with sections 6 and 7 of the Authority's document entitled: "Water Compliance Reporting Manual – July 2012". 		
Information Requirements (Reporting)	Cl. 21.2 and Sch. 5: Cl. 2	<ul style="list-style-type: none"> Paragraphs 14 and 19 of the "Water Compliance Reporting Manual – July 2012" (Reporting Manual) contain specific performance reporting requirements Harvey Water has to comply with. (As on pages 22 and 34 of the "Water Compliance Reporting Manual – July 2012" respectively); Electronic copies of Performance Reports for 2009 – 2010, 2010 – 2011, 2011 – 2012 and 2012 – 2013 were provided for audit purposes; Harvey Water's Annual Performance Reports for 2009 – 2010, 2010 – 2011, 2011 – 2012 and 2012 – 2013 comply, with three exceptions, with the specific performance reporting requirements contained in paragraphs 14 and 19 of the "Water Compliance Reporting Manual – July 2012"; The Performance Report for 2009 – 2010 does not disclose the stipulated information in respect of Telephone Service (section 19.1 of the Reporting Manual); The Complaints Register discloses that for: 	<ul style="list-style-type: none"> Check information included in Performance Reports to ensure the accuracy and completeness thereof. Test the information against both the: <ul style="list-style-type: none"> Reporting Manual stipulations; and Source data used to produce the Performance Reports. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Information Requirements (Reporting) (continued)	Cl. 21.2 and Sch. 5: Cl. 2 (continued)	<ul style="list-style-type: none"> • 2009 – 2010: nine customer complaints were received, one of which was not resolved within 15 business days; and • 2010 – 2011: three customer complaints were received, one of which was not resolved within 15 business days. • As per the “Water Compliance Manual Datasheet – Complaints”, the percentages of customer complaints resolved within 15 business days were: <ul style="list-style-type: none"> • 2009 – 2010: 100%; and • 2010 – 2011: no complaints were received. • The Reporting Matrix specifically refers to the provision of data for performance monitoring purposes; • Harvey Water submitted its annual Performance Report for 2012 – 2013 on time; • Harvey Water could not provide any proof that the annual Performance Reports for the 2009 – 2010, 2010 – 2011 and 2011 – 2012 years were submitted on time. However, the Authority did confirm that the above-mentioned Performance Reports were provided by their respective due dates; • A recommendation was included in the audit findings for Clause 5.1 above in respect of Harvey Water keeping a proper and easily accessible (centralised) record of all correspondence distributed to and received from the Authority; and • The Authority requested Harvey Water to conduct the first audit of NWI performance data for the year ended 30 June 2012. An audit 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Information Requirements (Reporting) (continued)	Cl. 21.2 and Sch. 5: Cl. 2 (continued)	was performed and an audit report was provided to the Authority in November 2012.		
Publishing Information	Cl. 22	<ul style="list-style-type: none"> Harvey Water has stated: <ul style="list-style-type: none"> The Authority directed it to publish information in respect of the expansion of existing operating area during the Audit Period; The relevant information was published in the West Australian newspaper as directed by the Authority; and It was satisfied to publish the information, as requested by the Authority. 	<ul style="list-style-type: none"> No recommendation is made. 	5
Notices	Cl. 23	<ul style="list-style-type: none"> Notices were given in writing during the Audit Period. 	<ul style="list-style-type: none"> No recommendation is made. 	5
Review of the Authority's Decisions	Cl. 24	<ul style="list-style-type: none"> Harvey Water has stated no review was sought of any reviewable decision by the Authority during the Audit Period. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Other Provisions	Sch. 6: Cl. 2	<ul style="list-style-type: none"> Harvey Water enters into separate agreements with applicants for water services, depending on whether the applicant will become a shareholder or non-shareholder. Both agreements contain comprehensive detail as to the conditions for connection; Harvey Water did decline a number of applications for connection to its water services during the Audit Period. This action was in compliance with Harvey Water's policies and practices; Both agreements make provision for the discontinuance of a service to a property in case of the default of the customer; and 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Harvey Water to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Other Provisions (continued)	Sch. 6: Cl. 2 (continued)	<ul style="list-style-type: none"> Harvey Water has stated no services to properties were discontinued during the Audit Period. 		

3 Asset Management System Review

3.1 Introduction

Following selection of the Harvey Agricultural Area for government sponsored irrigation, the Harvey Diversion Weir was completed in 1916 to supply water to 40,000 hectare of irrigable land in the area. During the depression years of the 1930s, unemployment relief workers were engaged for the construction of the Harvey diversion dam and extension of the irrigation system into the Collie River and Waroona districts.

From its inception in 1914 until 1996 the scheme was constructed and operated by the WA government through successive agencies, the Public Works Department, the Water Authority of WA and ultimately the Water Corporation.

Following a review of the scheme and the 1992 reforms of water management, undertaken by the Council of Australian Governments, the systems assets and its management were taken over by South West Irrigation - a dual cooperative of irrigators. The assets are owned by South West Irrigation Assets Co-operative (SWIAC) and the management and operation of the system are undertaken by South West Irrigation Management Co-operative Ltd (SWIMCO) which trades as Harvey Water.

The overall system now includes an operating area of approximately 39,000 hectares in the districts of Waroona, Harvey and Collie - of which some 670 properties totalling 11,900 hectares are irrigated. The Harvey and Waroona areas of the system are now piped and consequently allow the use of pressure driven sprinkler irrigation systems and extension beyond areas previously limited by open channel delivery systems. Piping of the system also mitigates against losses of as much as 30% by evaporation and leakage from open channel systems.

The Collie system is supplied by open channels. Harvey Water is hopeful that with support from the government, it will also be able to pipe much of the Collie area in the future.

3.2 Objectives and Scope

The Water Services Licensing Act 1995 requires that Harvey Water provide for and maintain an asset management system. The system should set out the processes to be taken by Harvey Water to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services.

The Act requires Harvey Water to provide the Authority with a report by an independent expert on the effectiveness of the system.

Such a Review provides the Authority with an independent opinion on whether or not Harvey Water has in place appropriate systems for the planning, construction, operation and maintenance of its water services assets.

This Review therefore examined:

- The adequacy or otherwise of the outputs of the system - including documentation of performance standards and statutory requirements, system opportunities and threats, preparation of operations manuals, maintenance schedules and their implementation in practice, 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 for 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 subject 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
- Harvey Water's response to the recommendations made in the previous Review.

The Review also identifies any aspects of the asset management system which are considered to require correction, amendment, or improvement.

3.3 Key Documents Inspected During the Review

- Authority's Operating Licence No. 31, versions OL2 and OL3 dated 15th May 2009 and 4th October 2010 respectively, issued to Harvey Water - South West Irrigation Area;
- Department of Water - Harvey Water (DOH) South West Region - Licence No. 98950;
- Harvey Water's Annual Reports to the Authority and DOH over the Review period as required by the above licences;
- Harvey Water — Customer Charter, Asset Creation Policy and Asset Disposal Policy;
- Harvey Water – Asset Management Plans for 2011/12, 2012/13 and 2013/14 plus monthly reports to the Harvey Water Board;
- Harvey Water – Jobs completed report 2010 to 2013 plus Shut Down Reports;
- Harvey Water - Annual reporting schedule;
- Harvey Water – Water Services Operating Strategy – February 2013;
- Harvey Water – Water Controllers' Procedure Manual – 2014 Review;

- Harvey Water – Operations at Water Corporations Dam Sites – January 2014 Review;
- Harvey Water – Water Controller’s Procedure Manual – 2014 review;
- Harvey Water - Operations at Water Corporation Dam Sites – review March 2014;
- Harvey Water – Operations Team Meeting No. 35 - Agenda – May 2014;
- Harvey Water -- 60 Days Jobs List - February 2014;
- Hugh Round – Harvey Water AMS Review;
- Harvey Water – Five year Plans - Operations & Maintenance;
- Harvey Water – SCADA Upgrade – Reports to Board;
- Harvey Water – Staff Training Record – 2012/13;
- Harvey Water – Harvey – Waroona Irrigation – Water Resource Management Strategy – February 2013;
- Harvey Water – Bengier Pumping Station Maintenance Schedule;
- Harvey Water – Mock Asset Failure Report; and
- Harvey Water – Construction and Water Services - January 2012, and Staff Safety - October 2013, Meeting’s Agenda.

3.4 Time Period Covered in Review

The Review covers the period from the 1st January 2010 to the 17th November 2013.

3.5 Time Period of Review

The Review was undertaken during a visit to Harvey Water’s offices in Harvey on the 19th and 20th June 2014.

3.6 Licensee’s Representatives

Staff Member	Position
Mr Geoff Calder	General Manager
Mr Stephen Cook	Operations Manager
Mrs Susan Boland	Corporate Services Manager/Accountant
Mr M. Ward	Water Services Manager
Mr R Yates	Water Delivery Co-ordinator

3.7 Licensee's Response to Previous Review Recommendations

Key Processes	Recommendation	Action Taken	Further Action Required	Resolved/Unresolved
Asset Creation /Acquisition	<ul style="list-style-type: none"> A policy should be formulated for the asset creation/acquisition process; and Procedures for creation/acquisition process must also be developed and documented. 	<ul style="list-style-type: none"> The document entitled: "Asset Management - Asset Creation" dated October 2010 (revision 3, last reviewed in March 2014) was noted. This document contains overall policy and sets out criteria and procedures to be followed for receiving board and/or management approvals, together with investigations to be undertaken regarding advantages/disadvantages and costs of available options, finance proposals etc.; and Examples of a series of documented investigations for introducing a new SCADA system were noted. 	<ul style="list-style-type: none"> No further action is required. 	Resolved
Asset Disposal	<ul style="list-style-type: none"> A policy should be formulated for the asset disposal process; and Procedures for asset disposal process must also be developed and documented. 	<ul style="list-style-type: none"> The document entitled: "Asset Management - Asset Disposal" dated October 2010 (revision 2, last reviewed in March 2014) was noted. This policy document describes the documentation procedures to be followed in recording the processes; and The document does not deal with the assessment of cost of disposal, residual value of an asset or a possible market to allow for the recovery of disposal costs. The document does not set out disposal methods such as sale, disposal to landfill, remain in situ and backfill say, in the case of an open channel. 	<ul style="list-style-type: none"> Include statements regarding investigations of disposal cost and its possible recovery, together with criteria for determining disposal methods in the policy document. 	Partly resolved

Key Processes	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Asset Maintenance	<ul style="list-style-type: none"> Management should develop a more formalised process for the prioritisation of maintenance tasks to demonstrate how risk management is applied in the process. 	<ul style="list-style-type: none"> In addition to a schedule of standard preventive maintenance procedures, Water Controllers submit Future Asset Maintenance (FAM) report sheets for assets in areas in which they are working each day. Maintenance or repair works (listed as jobs) required are recorded. The job list is reviewed weekly by the EOM review group during the irrigation season. Priorities are assigned and a running list of jobs is prepared on a rolling 60 day forward program. Priority is assigned on the basis of an assessment of the risk of failure, service interruption cost etc. 	<ul style="list-style-type: none"> No further action is required. 	Resolved
Asset Management Information System	<ul style="list-style-type: none"> Management should ensure that daily back-up tapes are kept offsite to reduce the risk of loss of data; and Management should ensure that independent checking is done to ensure data entered into system is accurate. 	<ul style="list-style-type: none"> Backup tapes are stored at the Cooperative's bank; and Independent checking is undertaken independently on an annual or regular basis as deemed necessary by the General Manager. 	<ul style="list-style-type: none"> No further action is required. 	Resolved
Contingency Planning	<ul style="list-style-type: none"> The contingency plan should be tested for operating effectiveness. 	<ul style="list-style-type: none"> A mock emergency contingency operation was undertaken in 2010. The emergency involved a serious open channel leak occurring late in the afternoon after closure of the SWIMCO office. The mock contingency procedure was undertaken by four officers of Harvey Water who "talked through" the roles they would take and the subsequent procedures they would follow. The report on the operation indicates the contingency 	<ul style="list-style-type: none"> No further action is required. 	Resolved

Key Processes	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Contingency Planning (continued)		<p>procedures undertaken were effective and in accordance with the written procedures included in the contingency plan; and</p> <ul style="list-style-type: none"> Contingency plan procedures are discussed at staff tool box meetings. 		
Financial Planning	<ul style="list-style-type: none"> A more detailed financial plan should be developed which incorporates the objectives and strategies; and The 10 year budget operating statement should be reviewed more frequently to better forecast the financial situation of Harvey Water. 	<ul style="list-style-type: none"> Financial plans in budgets for the review period were viewed and considered appropriate; The financial plans are prepared annually and are based on a rolling five years period in line with similar rolling five year estimates of capital expenditure and maintenance; and A five rather than ten year plan is adopted in order to reduce the discrepancy between five year and ten year income which is dependent on the annual rainfall and hence subsequent annual irrigation entitlement. 	<ul style="list-style-type: none"> No further action is required. 	Resolved

3.8 Summary of Issues and Recommendations

Key Process	Issue	Recommendations
Asset Disposal	<ul style="list-style-type: none"> The document entitled: “<i>Asset Management - Asset Disposal</i>” dated October 2010 (revision 2, last reviewed in March 2014) does not deal with the assessment of cost of disposal, residual value of an asset or a possible market to allow for the recovery of disposal costs. The document does not set out disposal methods such as sale, disposal to landfill, remain in situ and backfill say, in the case of an open channel. 	<ul style="list-style-type: none"> Include statements regarding investigations of disposal cost and its possible recovery, together with criteria for determining disposal methods in the policy document.
Environmental Analysis	<ul style="list-style-type: none"> The environmental analysis in the Asset Management Plan does not describe the legislative and licensing environment in which the system operates. 	<ul style="list-style-type: none"> Include a statement in the Asset Management Plan of the legislation under which the system is operated and the licenses with which Harvey Water must comply, including the: <ul style="list-style-type: none"> Relevant legislation regarding Co-operatives; Rights in Water legislation and its associated Department of Water (DoW) licence; and Recent Water Services Act 2012 and its associated Authority’s Water Services Operating Licence.
Risk Management	<ul style="list-style-type: none"> The Risk Management section of the Asset Management Plan contains much unnecessary explanation of risk assessment philosophy; Reviewer considers this section should be reduced to the basics of identification of risk scenarios and the subsequent procedures of probability, consequences, rating and control measures applicable to Harvey Water; The Risk Management section does not include specific consideration of the risks to public utilities such as roads, power and communications - in the event of erosion or inundation resulting from channel or pipeline failure; and That reference to both “Incident Management” and “Contingency” plans in Table 9.5 of the Risk Management section of the Asset Management Plan appears to indicate a duplication which is non-existent. 	<ul style="list-style-type: none"> Edit the Asset Management Plan section on Risk Assessment with a view to providing a clearer indication of the basics of risk assessment and its application to the operations/assets of Harvey Water; Extend the risk assessment tables to address the levels of risk associated with public utilities and controls in place; and Delete the reference to an Incident Plan as included Table 9.5 of the Risk Management section of the Asset Management Plan.

Key Process	Issue	Recommendations
Review of the Asset Management System	<ul style="list-style-type: none"> The Asset Management Plan is reviewed and updated on an annual basis and submitted to the Board for approval; and The review is undertaken during the period nominated in a schedule which also includes milestone dates for submission of reports to the Authority, and other licensors, major meetings etc. 	<ul style="list-style-type: none"> Include editing/broadening of the Risk Management Plans, as per the recommendations above, in subsequent reviews of the Asset Management Plan.

3.9 Asset Management Process and Policy Definition Adequacy Ratings

The effectiveness ratings assigned to each aspect of the Review are set out in the following two Tables - taken from the Authority's document entitled: "Audit Guidelines: Electricity, Gas and Water Licences – August 2010" (Authority's Guidelines).

Asset Management Process and Policy Definition Adequacy Ratings

Authority Guidelines: Table No. 5

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

Asset Management Performance Ratings

Authority Guidelines: Table No. 6

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

3.9.1 Asset Management Effectiveness Summary

Asset Management System	Asset Management Process & Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning	A	1
Asset Creation and Acquisition	A	1
Asset Disposal	B	1
Environmental Analysis	B	1
Asset Operations	A	1
Asset Maintenance	A	1
Asset Management Information System	A	1
Risk Management	B	1
Contingency Planning	A	1
Financial Planning	A	1
Capital Expenditure Planning	A	1
Review of Asset Management Plan	A	2

3.10 Observations and Recommendations

Asset Management System	Systems, Processes and Controls in Place at Harvey Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning	<ul style="list-style-type: none"> • South West Water issues an Asset Management Plan (AMP) annually. The AMP sets out proposed capital expenditure and maintenance activities for the forthcoming five years in accordance with the Cooperative's Strategic Plan for the system, together with other capital expenditure and maintenance items; and • Progress on implementation of the plans is continuously monitored and reported to each Board meeting. 	<ul style="list-style-type: none"> • No recommendation is made. 	A	1
Asset Creation and Acquisition	<ul style="list-style-type: none"> • The document entitled: "<i>Asset Management - Asset Creation</i>" dated October 2010 (revision 3, last reviewed in March 2014) was noted. This document contains overall policy and sets out criteria and procedures to be followed for receiving board and/or management approvals, together with investigations to be undertaken regarding advantages/disadvantages and costs of available options, finance proposals etc.; and • Examples of a series of documented investigations for introducing a new SCADA system were noted. 	<ul style="list-style-type: none"> • No recommendation is made. 	A	1
Asset Disposal	<ul style="list-style-type: none"> • The document entitled: "<i>Asset Management - Asset Disposal</i>" dated October 2010 (revision 2, last reviewed in March 2014) was noted. This policy document describes the documentation procedures to be followed in recording the 	<ul style="list-style-type: none"> • Include statements regarding investigations of disposal cost and its possible recovery, together with criteria for determining disposal methods in the policy document. 	B	1

Asset Management System	Systems, Processes and Controls in Place at Harvey Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Disposal (continued)	<p>processes; and</p> <ul style="list-style-type: none"> The document does not deal with the assessment of cost of disposal, residual value of an asset or a possible market to allow for the recovery of disposal costs. The document does not set out disposal methods such as sale, disposal to landfill, remain in situ and backfill say, in the case of an open channel. 			
Environmental Analysis	<ul style="list-style-type: none"> Opportunities associated with piping, allowing extension of the irrigated areas and use of pressure operated applications are noted together with threats associated with system failures; Licence and customer performance standards are set out and their achievement noted; The natural environmental settings are described; and With the exception of the description of the legislative and licensing environment in which the system operates, the environmental analysis in the Asset Management Plan is very good. 	<ul style="list-style-type: none"> Include a statement in the Asset Management Plan of the legislation under which the system is operated and the licenses with which Harvey Water must comply, including the: <ul style="list-style-type: none"> Relevant legislation regarding Co-operatives; Rights in Water legislation and its associated Department of Water (DoW) licence; and Recent Water Services Act 2012 and its associated Authority's Water Services Operating Licence. 	B	1
Asset Operations	<ul style="list-style-type: none"> Operations policies and procedures are well documented in various documents including the Asset Management Plan, instructions to Water Controllers and the operating agreement with the Department of Water; Operating reports listing, flows, storage levels and other relevant information are submitted to the Board monthly during the irrigation season and approximately monthly during 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in Place at Harvey Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Operations (continued)	<p>the off season - when most operations are mainly inspection and maintenance related;</p> <ul style="list-style-type: none"> A new SCADA system is being implemented which allows flow measurement to the system, visual inspection of some installations. On-line orders for irrigation runs are input by Water Controllers in response to requests from individual customer; A comprehensive electronic list of assets, their condition and location is maintained, together with a listing of the extensive range of critical spares held; A computer based new staff induction and subsequent training matrix is maintained for all staff. Training on operating the SCADA system is also undertaken as the system is progressively installed. 			
Asset Maintenance	<ul style="list-style-type: none"> A schedule of standard preventive maintenance jobs and their frequency is stored electronically and automatically flagged for implementation by maintenance staff; Water Controllers complete daily inspection reports and submit "Future Asset Maintenance" report sheets for assets in the areas they are working in. Maintenance and repair/replacement jobs considered necessary from the daily reports are listed together with preventive maintenance jobs; The job list is reviewed by the EOM review group (meeting of representatives of 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in Place at Harvey Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Maintenance (continued)	<p>production, water services and maintenance areas). Priorities are assigned and a running list of jobs is prepared on a rolling 60 day forward program. Job priority is assigned on the basis of an assessment of risk consequences, service continuity, timing and practicability; and</p> <ul style="list-style-type: none"> Such meetings are held fortnightly or more frequently as appropriate to ensure the sixty days job list is current and to track progress on scheduled jobs. 			
Asset Management Information System	<ul style="list-style-type: none"> The asset management information system (AMIS) is computer based and comprehensive. The AMIS substantially integrates the whole of the Cooperative's business areas from management, administration and operations, through to water services and maintenance; Details of customers, water taken from dams and supplied to customers, maintenance, asset condition etc. can be readily obtained from the system. Consequently, current data for a range of financial, management, production and license performance reports is readily obtainable; Various levels of entry to the system are assigned, with access by password; Independent checking of data entered into AMIS is undertaken on an annual basis at the direction of the Operations Manager; and The system is backed up daily. Back-up tapes are stored at the Cooperative's bank. 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in Place at Harvey Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Risk Management	<ul style="list-style-type: none"> The Risk Management section of the Asset Management Plan contains much unnecessary explanation of risk assessment philosophy; Reviewer considers this section should be reduced to the basics of identification of risk scenarios and the subsequent procedures of probability, consequences, rating and control measures applicable to Harvey Water; The Risk Management section does address the above methodology resulting in the identification of risks, levels of risk and appropriate controls for: <ul style="list-style-type: none"> Water distribution; Personnel and the Public; and Other Incidents. The Risk Management section does not include specific consideration of the risks to public utilities such as roads, power and communications - in the event of erosion or inundation resulting from channel or pipeline failure; Reference to both "Incident Management" and "Contingency" plans in Table 9.5 of the Risk Management section of the Asset Management Plan appears to indicate a duplication which is non-existent; and Despite the above comments, the assessment and treatment of risk is considered to be satisfactory. Also, management has a sound understanding of risk assessment and control. 	<ul style="list-style-type: none"> Edit the Asset Management Plan section on Risk Assessment with a view to providing a clearer indication of the basics of risk assessment and its application to the operations/assets of Harvey Water; Extend the risk assessment tables to address the levels of risk associated with public utilities and controls in place; and Delete the reference to an Incident Plan as included Table 9.5 of the Risk Management section of the Asset Management Plan. 	B	1

Asset Management System	Systems, Processes and Controls in Place at Harvey Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Contingency Planning	<ul style="list-style-type: none"> The Asset Management Plan contains a generic Contingency Plan based on the various consequences of asset failures/incidents - rather than a failure or incident associated with a specific asset; The plan sets out the responsibilities, procedures and the sequence of staff response in assessing and addressing a given situation; The plan sets out typical situations that staff could encounter on investigation, and the action to be initiated in order to avoid or reduce the consequences of the emergency; Contact details for Harvey Water staff and relevant authorities are provided in order to instigate appropriate response to emergencies; A mock emergency contingency operation was undertaken in 2010. The emergency involved a serious open channel leak (of an elevated channel in the Collie River Irrigation Area) occurring late in the afternoon after closure of the SWIMCO office. The mock contingency procedure was undertaken by four officers of Harvey Water who "talked through" the roles they would take and the subsequent procedures they would follow. The report on the operation indicates the contingency procedures undertaken were effective and in accordance with the written procedures included in the contingency plan; and Contingency plan procedures are discussed at 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in Place at Harvey Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Contingency Planning (continued)	staff tool box meetings.			
Financial Planning	<ul style="list-style-type: none"> As part of its annual budget, the Cooperative prepares a five year rolling financial plan. The plan incorporates a similar rolling five year plan for capital expenditure and maintenance prepared by the Production Manager. Forward estimates of other expenditure and income are also provided including an assessment of annual contributions to the assets cooperative reserve which currently has a balance of some \$23 million , including approximately \$10 million for asset replacement; A five rather than ten year plan is adopted in order to reduce the discrepancy between five year and ten year income which is dependent on the annual rainfall and hence subsequent annual irrigation entitlement; Copies of the financial plans were provided, indicating an expected ongoing financial surplus for both the Asset Cooperative and the Management Cooperative; and The financial plans, as included in the annual budgets for the Review Period, are considered appropriate. 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in Place at Harvey Water for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Capital Expenditure Planning	<ul style="list-style-type: none"> An estimate of Capital Expenditure is prepared annually for the forthcoming year. The estimate, which is included in the budget papers, incorporates planned asset replacement based on asset life expectancy (where applicable), replacement of non-performing assets and acquisition of new assets to increase services and/or operating efficiency; and During preparation of the annual capital expenditure estimate, the rolling forward five year estimate of capital and maintenance expenditure is also prepared for incorporation in the annual financial plan. 	<ul style="list-style-type: none"> No recommendation is made. 	A	1
Review of AMS	<ul style="list-style-type: none"> The Asset Management Plan is reviewed and updated on an annual basis and submitted to the Board for approval; and The review is undertaken during the period nominated in a schedule which also includes milestone dates for submission of reports to the Authority, and other licensors, major meetings etc. 	<ul style="list-style-type: none"> Include editing/broadening of the Risk Management Plans, as per the recommendations above, in subsequent reviews of the Asset Management Plan. 	A	2

3.11 Conclusions

The Review concluded that Harvey Water manages its water services in a competent, professional and practical manner. Minor improvements are considered necessary in the documentation of Risk Assessment and Asset Plan Review. However, the Reviewer was impressed with the knowledge of the system across the management, administrative and operations staff and their level of coordination and co-operation. The planning for, implementation of, and recording of daily and longer term operations and maintenance, reporting and associated use of the asset management information system were similarly assessed at an impressive level.

4 Auditor Information

4.1 Audit/Review Team Members and Hours Utilised

Audit/Review Team Member	Hours
Cameron Palassis - Director	15
Anton Prinsloo – Senior Audit Consultant	46
Barry Robbins – Barry Robbins Engineering & Project Management	44
TOTAL	105

5 Signature of Auditor

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



Cameron Palassis

Director – Audit and Assurance

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Date: 5 August 2014

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