



Economic Regulation Authority

Notice

30 May 2017

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

2016 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published the 2016 operational audit and asset management system review [report](#), the [post-audit implementation plan](#) and [the post-review implementation plan](#), for Harvey Water's water services licence WL31.

Action by the ERA

The ERA considers that Harvey Water has demonstrated adequate compliance with its licence conditions, and has an effective asset management system. It has decided to retain the audit and review period at 36 months.

The next audit and review will cover the period 1 December 2016 to 30 November 2019, with the report due by 28 February 2020.

BACKGROUND

Audit

This is the first audit of Harvey Water's licence since the *Water Services Act 2012* commenced in November 2013.

The auditor assessed 124 obligations: 63 obligations were not rated for controls or compliance (NP/NR) due to the lack of relevant activity during the audit period.

Of the remaining 61 obligations, 41 were rated compliant (A1 or NP/1) and 20 obligations were rated non-compliant (B2).

The audit also identified 10 opportunities for controls improvements.

Eighteen of the non-compliances and seven of the controls improvement opportunities addressed obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013 (Water Code)*.

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

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

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

The auditor made 15 recommendations to address the 20 non-compliances and 10 recommendations to improve licence reporting processes. Harvey Water will implement all but five of the recommendations. The five recommendations that it will not implement all address obligations under the Water Code.

The post-audit implementation plan states that the recommendations will be addressed by December 2017.

Asset management system review

The auditor assessed 12 asset management components; two were rated A1 (highest rating), eight were rated B1 (documentation improvement opportunity), one was rated B2 (performance and documentation improvement opportunity) and one was rated C2 (performance and documentation require significant improvement).

The auditor made twelve recommendations to improve documentation and/or performance for six of the twelve components.

The main area of concern identified by the review was Harvey Water's contingency plan. The current contingency plan lacks detail and does not include an Emergency Response Plan. The auditor has recommended that Harvey Water develop an Emergency Response Plan to manage incidents such as floods and bushfires. The auditor also recommended that the plan be expanded to include more detailed and incident specific plans, such as for dam outages/shutdowns, pumping station outages, channel bursts and staff illness.

The post-review implementation plan states that Harvey Water will complete the recommendations by October 2017.

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