

# Audit and Review Report

## Harvey Water Operational Audit and Asset Management System Review

3605-70



Prepared for  
Economic Regulation Authority of Western  
Australia

20 March 2017

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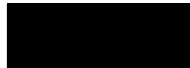
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## Document Information

Prepared for	Economic Regulation Authority of Western Australia
Project Name	Harvey Water Operational Audit and Asset Management System Review
Job Reference	3605-70
Date	20 March 2017
Version Number	2
Effective Date	20 March 2017
Date Approved:	20 March 2017

## Document History

Version	Effective Date	Description of Revision	Prepared by:	Reviewed by:
1	07/02/2017	Draft for review and comment	Justin Edwards	Stephen Walker
2	01/02/2017	Update for ERA and Harvey Water comments	Justin Edwards	Stephen Walker
3	20/03/2017	Update for additional ERA and Harvey Water comments	Justin Edwards	Stephen Walker

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# Executive Summary

## General

Harvey Water holds a water services licence (WL31) which permits it to provide non-potable water supply and irrigation services while undertaking, maintaining and operating any water service works within the current operating area as set out in Plan Numbers OWR-OA-178/3(E) and OWR-OA-300(A). The operating licence was granted by the Economic Regulation Authority of Western Australia (ERA) on 9 October 1996 and last amended on 10 August 2016.

South West Irrigation Management Cooperative (SWIMCO) is an irrigator owned cooperative which accepted ownership and responsibility of irrigation assets from the State Government in 1996. The irrigation assets are held by a separate asset mutual cooperative, the South West Irrigation Asset Cooperative (SWIAC). In July 2002 the trading name of SWIMCO was changed to Harvey Water.

The Harvey Water Irrigation Area (HWIA) is located on the Swan Coastal Plain around 100 kilometres south of Perth. It covers an area of 112,000 hectares (ha) in three Irrigation Zones: Harvey, Waroona and Collie. There is currently around 10,000 ha of land under permanent irrigation for dairy farming, beef grazing and horticulture, with a total irrigable area of approximately 30,000 ha.

The Harvey Pipe Project was completed in 2005 and replaced concrete and earthen channels with pipelines in the Harvey and Waroona irrigation areas although some channels still exist in the Waroona area. The Collie system is still predominantly supplied using open channels. The piped areas are mainly supplied under gravity head only. Bulk water is supplied from seven dams controlled by the Water Corporation.

## Audit and Review Objectives

Cardno was commissioned by the ERA to undertake an operational audit and asset management system review of Harvey Water in accordance with the requirements set out in Sections 24 and 25 of the *Water Services Act 2012 (WA)* and also included in Clauses 4.1 and 4.3 of its operating licence.

The operational audit has been conducted in order to assess Harvey Water's level of compliance with the conditions of its operating licence.

The asset management system review has been conducted in order to assess the effectiveness of Harvey Water's asset management system.

This report outlines the findings of the audit and review of Harvey Water to fulfil the above objectives, conducted on 12 – 14 December 2016. The operational audit covers the period of 18 November 2013 to 30 November 2016. The asset management system review also covers the period 18 November 2013 to 30 November 2016.

The audit was carried out in accordance with the *Audit and Review Guidelines: Water Licences*, as published by the ERA in July 2014.

## Operational Audit

### *Findings from the Previous Operational Audit*

The previous audit identified that the Cooperative had not complied with all of its Water Services Licence performance and quality standards and licence obligations during the audit period 1 January 2010 to 17 November 2013. A number of improvement opportunities were identified and the resulting recommendations included in the Post-Audit Implementation Plan.

The non-compliances from the previous operational audit are as follows:

1. Not providing the Audit/Review report to the Authority for the period 1 January 2010 to 31 December 2012 by 31 March 2013. This resulted in the audit and review period being changed to be from 1 January 2010 to 17 November 2013.

*Partly resolved during audit period*

2. Not providing at least 90% of customers affected by planned interruptions in 2012/13 with at least 5 business days' notice.  
*Resolved during audit period*
3. Not submitting its 2009/10 and 2011/12 Compliance Reports within the required timeframes.  
*Partly resolved during audit period*
4. Not maintaining records of submission for its 2009/10, 2010/11 and 2011/12 Performance Reports.  
*Partly resolved during audit period*
5. Not reviewing its 2009/10 and 2010/11 Performance Reports to ensure the accuracy and completeness of the reported data.  
*Resolved during audit period*

### Findings from the Current Operational Audit

Issues identified during the current audit (with reference to the summary of recommendations in Section 7.1):

#### Water Services Act 2012

1. A1/2017 – The licensee has not complied with all applicable legislation (Section 12).
2. A2/2017 - The licensee has not complied with all of the obligations of the *Water Services Code of Conduct (Customer Service Standards) 2013* (Section 27).
3. A3/2017 - The licensee has not complied with all the duties imposed on it by the Act as it was unable to meet all Code requirements (Section 29).
4. A4/2017 – The licensee does not advertise the requirement to provide 48 hours' notice of proposed entry in the separate customer charter for RWS (Rural Water Services) customers, the smallholder customers supplied with water for stock and garden purposes (Section 129(5) & Section 173(4), Section 174(3)).
5. A5/2017 – We consider that there are improvement opportunities related to providing publically available information to its customers regarding the obligations of the licensee and members in respect of the management of the assets and the associated operation and maintenance activities (Section 174(3)).
6. A6/2017 – We consider that there are improvement opportunities related to the development of corporate policies for Powers of Entry and Staff Conduct (Section 176(1), Section 176(3), Section 176(4), Section 181 and Section 186).

#### Water Services Code of Conduct (Customer Service Standards) 2013

7. A7/2017 – Not all of the required information about connections is publically available (Clause 7(3))
8. A8/2017 - The licensee's invoices for its RWS customers do not contain all of the prescribed information (Clause 12(1)).
9. A9/2017 – The licensee's invoices for its RWS customers do not contain all of the specified information (Clause 12(2)).
10. A10/2017 – The licensee's invoices do not contain all of the specified information and where further details can be obtained (Clause 12(3)).
11. A11/2017 – The only information on the licensee's leak policy is included in an internal document and is not made publically available (Clause 15).
12. A12/2017 – We consider that there are improvement opportunities as the licensee does not publically advertise the processes related to estimation of consumption, or undercharging and overcharging of bills to its non-member customers (Clause 16(2)).

13. A13/2017 – The licensee does not advertise information relating to a written procedure for the review of a bill on the customer's request (Clause 18(2), Clause 18(3) and (6), Clause 18(4)).
14. A14/2017 – The licensee's two Customer Charters (for members and non-members) both provide reference to and the contact details for the Department of Water. However, the Energy and Water Ombudsman Western Australia is now the responsible for this function (Clause 18(4), Clause 35(4)).
15. A15/2017 – The Licensee does not accept payments by all the prescribed methods under Clause 21(1) of the Code as it does not accept payments by direct debit or Centrepay. As a result, the licensee does not obtain customer consent for direct debits (Clause 21(1), Clause 22).
16. A16/2017 – We consider there is a potential improvement opportunity as although the licensee redirects customer bills on request, it does not require any confirmation to be submitted from the third party receiving the redirected invoices (Clause 24).
17. A17/2017 – We consider there is a potential improvement opportunity as the licensee's policy for payment plans is not included in its Trading Terms - Debtors Policy and payment plans are not advertised in the Customer Charters or on the non-member customer invoices (Clause 27(2)).
18. A18/2017 – The licensee's debt management process does not include any actions to inform the landowner of any payment arrangements entered into by the tenant or of any late payments incurred by a customer who is not the owner of the land. (Clause 28(1)).
19. A19/2017 – We consider there is a potential improvement opportunity as the information regarding the payment plans, arrangements and other assistance that is available to customers is provided in the Customer Charters but is not included on the back of the customer invoices sent out to non-member customers (Clauses 28(4) and (5)).
20. A20/2017 - We consider there is a potential improvement opportunity as although complaints may be made in writing, by telephone, in person at the licensee's office by email, the licensee's procedure document only references written complaints (Clause 35(1)).
21. A21/2017 – The information provided by the licensee to the non-member RWS customers does not provide details of procedures under the Act, or set out the costs and benefits to the customer if they use the complaint resolution procedure or the procedures under the Act (Clause 35(4)).
22. A22/2017 – The licensee's complaints procedure is not publically available (Clause 35(6)).
23. A23/2017 - We consider there is a potential improvement opportunity as the licensee does not advertise the specified services as being available to customers (Clause 36(1)).
24. A24/2017 – The licensee has not made all of the information required under these clauses available on its website in order to comply with the obligations (Clause 37(1)(b), Clause 37(1)(d), Clause 37(1)(g), Clause 37(1)(h) and Clause 37(2)).

#### **Water Services Act 2012 (Licence Conditions)**

25. A25/2017 - The licensee has submitted the data required for performance reporting purposes, that is specified in Water Compliance Reporting Manual, after the due date for two of the three years in the audit period (Operating Licence Clause 3.8.2 and Clause 3.8.3)

#### **Summary Opinion of the Control Environment**

During the audit period, the Auditor conducted tests and assessed the control environment, the procedures, policies and performance of Harvey Water. The Auditor found that the licensee has an adequate control environment to ensure that the majority of licence obligations are met and that it operates in accordance with the operating licence. For the non-compliances observed, we found that the controls were generally adequate, although we have identified a number of potential improvement opportunities.

#### **Operational Audit - Overall Compliance**

The overall compliance of Harvey Water with its licence is summarised in Section 6.1 of this report. 20 of 150 items have been rated as non-compliant. All other items were assessed as compliant, not applicable or not able to be rated.

We note that the *Code of Conduct (Customer Service Standards) 2013* obligations do not apply to cooperative members, although the cooperative is free to provide the services to its members in line with the Code. Although the Rural Water Services Pty Ltd subsidiary company is a member/shareholder of the cooperatives, its customers are not members in their own right. In addition, the licensee also has By Law Customers, who are non-member customers and take water on an opportunistic basis. As such, we consider that the obligations under the *Code of Conduct (Customer Service Standards) 2013* apply to the Rural Water Services (RWS) customers and the By Law Customers.

We are required under the audit guidelines to recommend that the licensee address non-compliance with the *Code of Conduct (Customer Service Standards) 2013* obligations. However, we note that it may be impractical for the licensee to comply with some of these obligations given the type of business operated by the licensee.

## **Asset Management System Review**

### **Findings from the Previous Asset Management System Review**

The asset management system review assessed the performance of Harvey Water against the key asset management processes and effectiveness criteria set out in the ERA Guidelines.

The previous asset management system review identified the following recommendations:

1. Asset Disposal: Include statements regarding investigations of disposal cost and its possible recovery, together with criteria for determining disposal methods in the policy document.  
*Resolved during audit period*
2. Environmental Analysis: 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: 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.  
*Resolved during audit period*
3. Risk Management: Edit the Asset Management Plan section on Risk Assessment with a view to providing a clearer indication of the basics of risk assessment and business risk pertaining to the operations and 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 in Table 9.5 of the Risk Management section of the Asset Management Plan.  
*Resolved during audit period*
4. Review of the Asset Management System: Include editing/broadening of the Risk Management Plans, as per the recommendations above, in subsequent reviews of the Asset Management Plan.  
*Resolved during audit period*

### **Findings of the Current Asset Management System Review**

The review of the Harvey Water asset management system identified that all but two of the asset management process and policy definitions were rated "A" or "B" for adequacy. All but three of the processes were rated "1" for performance.

The processes for Environmental Analysis – Compliance with statutory and regulatory requirements, Asset Operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data were rated as B2.

The process for Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks was rated as C2.

Based on our asset management system review observations and findings, we consider that the adequacy and performance of the licensee's system meets a level appropriate for the licensee, given the size, asset base and risks associated with the services that it is licenced to provide. Generally the gradings that we

have assigned to the licensee’s asset management system components reflect that there is scope for improvement to achieve what would be considered ‘best practice’.

The following recommendations and process improvement opportunities were identified during the current review:

**Table 1-1 Asset Management System Review Recommendations**

Reference (No./Year)	Asset Management Component	Issue	Auditor’s Recommendation
R1/2017	<i>B1 Asset Planning - Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</i>	HW has a Policy Manual for the South West Irrigation Management Cooperative (SWIMCO) with a focus on operations and administration. There is no policy manual for the South West Irrigation Asset Cooperative who are the owners of the majority of HW’s assets. As such, there are limited policies related to the assets and to asset management.	<p>We recommend that HW develops an overall Asset Management Policy for inclusion in its Policy Manual. The policy should provide the over-arching overarching intentions and guiding principles for the organisation’s asset management, enable the development and implementation of the Asset Management Plan and other asset management documentation and set out commitments to funding infrastructure renewal requirements, legislative compliance and to the continual improvement of organisation’s asset management performance.</p> <ul style="list-style-type: none"> <li>▪ We would also recommend that HW develops further policy documents for:</li> <li>▪ Customer Service Charges and Supply of Water for non-pipe customers (as the Supply of Water in the Harvey Pipe Scheme Policy is only for piped customers)</li> <li>▪ Communication with Stakeholders</li> <li>▪ Irrigation System Expansion and Enhancement</li> <li>▪ Non-members</li> <li>▪ Irrigator Infrastructure (to set-out any infrastructure requirements for member customers, e.g. maintenance of connecting customer assets, head ditches, channels etc.)</li> </ul>
R2/2017	<i>B1 Asset Planning - Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</i>	HW has a Policy Manual for the South West Irrigation Management Cooperative (SWIMCO) with a focus on operations and administration. There is no policy manual for the South West Irrigation Asset Cooperative who are the owners	We have recommend that HW develops an overall Asset Management Policy for inclusion in its Policy Manual and recommend that this includes Asset Creation and Asset Disposal Policies.

Reference (No./Year)	Asset Management Component	Issue	Auditor's Recommendation
		of the majority of HW's assets. As such, there are limited policies related to the assets and to asset management.	
R3/2017	<i>B1 Asset Planning – Asset Management Plan covers key requirements</i>	HW has an Asset Management - Asset Creation document (October 2010, reviewed in February 2015) that notes in the header that it is part of the Harvey Water Asset Management Plan'. However, we note that the Asset Creation document is not referenced or mentioned in the AMP document.	We recommend, as a minimum, that HW includes a reference to the Asset Creation document in the next update of the AMP.
R4/2017	<i>B1 Asset Planning – Asset Management Plan covers key requirements</i>	HW has an Asset Management - Asset Disposal document (October 2010, reviewed in February 2015) that notes in the header that it is part of the Harvey Water Asset Management Plan'. However, we note that the Asset Disposal document is not referenced or mentioned in the AMP document.	We recommend as a minimum that HW includes a reference to the Asset Disposal document in the next update of the AMP.
R5/2017	<i>B1 Asset Planning – Asset Management Plan covers key requirements</i>	We note that HW has a Strategic Plan covering 2011-2016 but the strategic themes, objectives, initiatives and measures of success in achieving the objectives are not referenced in the AMP.	We recommend that in the next review of the AMP, HW includes references to the information in the Strategic Plan as these items have a direct relationship on how HW manages its assets and this should be reflected in the AMP.
R6/2017	<i>B1 Asset Operations - Operational policies and procedures are documented and linked to service levels required</i>	We note that the AMP does not provide specific details related to the day-to-day operations of the irrigation districts, the water ordering/demand management activities, the extent and management of the SCADA system, or the utilisation of the Benger pumping station.	We recommend that HW expands its AMP when next reviewed to provide more details related to the operation of its assets or to provide references to the documents where this information is recorded, e.g. Water Controller Procedure Manual, Sandalwood Road Pumping Station Operations and Maintenance Manual.
R7/2017	<i>B1 Asset Operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</i>	No asset condition information is recorded in the AMS as HW considers that although it collects asset condition information during annual inspections of the channels system and in day-to-day inspection and maintenance activities of the other above ground assets, any asset requiring maintenance/renewal/replacement due to condition has a work order created to complete the work.  Asset condition is included in Section 2 of the AMP along with the condition ratings used by HW for its inspections. The information in the AMP provides	We recommend that if HW is collecting regular asset condition information, it should record this information so that a better knowledge of the condition of the assets can be tracked.



Reference (No./Year)	Asset Management Component	Issue	Auditor's Recommendation
		an overview of the general condition for each asset type based on the most recent inspection program. Asset condition is generally considered to be good and this was evidenced during the site inspections that were completed as part of the review.	
R8/2017	<i>B1 Risk Management - Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</i>	We note that HW's Risk Management Policy has been developed in accordance with the Australian/New Zealand Standard 4360: 2004 Risk Management, which has been superseded by AS/NZS ISO 31000:2009, Risk management.	We recommend that HW reviews its Risk Management Policy and supporting documentation against the newer ISO 31000:2009 at the next review of the risk management documentation.
R9/2017	<i>C2 Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</i>	As was noted in the previous asset management review, HW's Asset Management Plan contains a generic Incident Management Plan based on the various consequences of asset failures/incidents, rather than for failures or incidents associated with specific assets.	Based on its experiences in the January 2016 bush fire emergency in its area, HW identified that it needs to develop a more detailed Emergency Response Plan as it has never had such a document for managing incidents such as bushfire, floods etc.  We strongly support this action and have included it as a recommendation from this review. We would recommend that this Emergency Response Plan should also cover system/data reinstatement and remote operations of the assets should the emergency incident impact on HW's main office location.
R10/2017	<i>C2 Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</i>	HW consider that the irrigation water service it provides minimises the impact of major asset failure/outages, with the piped systems in two of the irrigation districts reducing risks associated with channel systems, the growing season minimising impacts and also allowing for shutdown time to undertake repairs and on farm storage being able to be used by the major irrigators to mitigate any short-term water supply outages.	We recommend that HW looks to develop a more detailed Contingency Plan related to specific assets/operations.  We would expect this Contingency Plan to cover events such as dam outage/shutdown, significant water quality issues, pumping station outage, channel burst, pipe crossing bursts and staff illness/pandemic.  By developing more detailed and incident-specific contingency plans, we would expect HW to be able to more effectively and efficiently manage any incident should it occur and the development of these documents would also assist

Reference (No./Year)	Asset Management Component	Issue	Auditor's Recommendation
			in succession planning for the future.
R11/2017	<i>B1 Financial Planning - The financial plan states the financial objectives and strategies and actions to achieve the objectives</i>	A Forward Works Program is included in the Asset Management Plan. This only provides a brief summary of major capital projects to be completed during the year but does not provide any financial information. No information is provided on operating costs or financial management in the AMP.	We recommend that HW consolidates information provided in the Asset Management Plan by including an overview of the five year expenditure plan that sets out the income and the operations and maintenance, administration and capital expenditure requirements of the service.
R12/2017	<i>B1 Capital Expenditure Planning - There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</i>	As noted above, details of the Forward Works Program for the current year are included in Section 7 of HW's Asset management Plan. However, this provides a list of the projects, no details or financial information is included in the AMP.	We recommend that HW consolidates the information included in its AMP to provide for more details on the proposed expenditure for its capital works program.

### Assessment of the Effectiveness of the Asset Management System

Based on the outcomes of the audit, the Auditors found that the asset management processes and measures have generally been well implemented and are being followed. It is the Auditor's opinion that the asset management system is operating satisfactorily allowing for the provision of the licensee's non-potable water supply and irrigation services.

### Asset Management System Review - Overall Effectiveness

A summary of our assessment of the effectiveness of Harvey Water's Asset Management System is provided in Section 6.2.

The review of the Harvey Water asset management system identified that all but two of the asset management process and policy definitions were rated "A" or "B" for adequacy. All but three of the processes were rated "1" for performance.

The processes for Environmental Analysis – Compliance with statutory and regulatory requirements, Asset Operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data were rated as B2.

The process for Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks was rated as C2.

Based on our asset management system review observations and findings, we consider that the adequacy and performance of the licensee's system meets a level appropriate for the licensee, given the size, asset base and risks associated with the services that it is licenced to provide. Generally the gradings that we have assigned to the licensee's asset management system components reflect that there is scope for improvement to achieve what would be considered 'best practice'.

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## 2 Introduction

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### 2.1 Background

The Economic Regulation Authority (ERA) is responsible for regulating the licensing schemes for gas, electricity and water services in Western Australia. The primary objective of regulation is to ensure the provision of a competitive and fair environment, particularly where businesses operate as natural monopolies.

Harvey Water (HW) holds a water services licence (WL31) which permits it to provide non-potable water supply and irrigation services whilst undertaking, maintaining and operating any water service works within the current operating area as set out in Plan Numbers OWR-OA-178/3(E) and OWR-OA-300(A). The operating licence was granted by the Economic Regulation Authority of Western Australia (ERA) on 9 October 1996 and last amended on 10 August 2016.

There have been no significant changes to the assets since the last audit. The Authority has issued the latest version of the operating licence (WL31, Version 6) consistent with the *Water Services Act 2012*.

### 2.2 Overview of the Harvey Water Irrigation Area and the Role of Harvey Water

South West Irrigation Management Cooperative (SWIMCO) is an irrigator owned cooperative which accepted ownership and responsibility of irrigation assets from the State Government in 1996. The irrigation assets are held by a separate asset mutual cooperative, the South West Irrigation Asset Cooperative (SWIAC). In July 2002 the trading name of SWIMCO was changed to Harvey Water.

The Harvey Water Irrigation Area (HWIA) is located on the Swan Coastal Plain around 100 kilometres south of Perth. It covers an area of 112,000 hectares (ha) in three Irrigation Zones: Harvey, Waroona and Collie. There is currently around 10,000 ha of land under permanent irrigation for dairy farming, beef grazing and horticulture, with a total irrigable area of approximately 30,000 ha.

The Harvey Pipe Project was completed in 2005 and replaced concrete and earthen channels with pipelines in the Harvey and Waroona irrigation areas although some channels still exist in the Waroona area. The Collie system is still predominantly supplied using open channels. The piped areas are mainly supplied under gravity head only. Bulk water is supplied from seven dams controlled by Water Corporation.

### 2.3 Purpose of this Report

As a condition of its licence, Harvey Water is required to conduct an operational audit and asset management review that assesses the performance of the licensee against its obligations under the licences.

Sections 24 and 25 of the *Water Services Act 2012* obligate the licensee to provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority not less than once in every 24 month period (or such longer period as the Authority allows) and provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system not less than once in every 24 month period (or such longer period as the Authority allows).

The purpose of the operational audit was to assess the effectiveness of measures taken by the licensee to meet the conditions referred to in the licence including the legislative obligations called up by the licence. The scope of the audit report includes assessing the adequacy and effectiveness of performance against the requirements of the licensee by considering:

- > process compliance
- > outcome compliance
- > output compliance
- > integrity of reporting
- > compliance with any individual license conditions.

The asset management system review covers:

- > asset planning
- > asset creation/acquisition
- > asset disposal
- > environmental analysis
- > asset operations
- > asset maintenance
- > asset management information system
- > risk management
- > contingency planning
- > financial planning
- > capital expenditure planning
- > review of the asset management system.

## 3 Scope of Works

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### 3.1 Audit/Review Objectives

The objectives of this operational audit and asset management system review were to:

1. Provide to the Authority an independent assessment of Harvey Water's compliance with all of the relevant obligations under its licence
2. Provide to the Authority an independent assessment of the effectiveness of Harvey Water's asset management system in relation to WL31
3. Provide recommendations to address any non-compliances.

### 3.2 Scope of Works

The audit encompassed an assessment of the following five key areas using a risk based approach (to ISO 31000:2009):

- > Process compliance: assessment of the effectiveness of systems and procedures
- > Outcome compliance: assessment of actual performance against the prescribed licence standards
- > Output compliance: assessment of records to indicate procedures are followed and controls are maintained
- > Integrity of reporting: assessment of the completeness and accuracy of the compliance and performance reports.

The scope of works of this audit included:

- > Interviews with key staff members from Harvey Water to:
  - assess findings from the last audit and review the actions taken to address the recommendations from the previous audit / review
  - assess performance against licence conditions for WL31
  - assess performance against each asset management process for WL31
- > Reviews of documents, procedures and policy manuals in relation to financial management and planning, service performance standards, asset management, operations and maintenance functions and reporting
- > Testing and assessment to determine whether the procedures and policies are followed and determine their effectiveness
- > Preparation of an audit report in accordance with the format outlined in the ERA Audit and Review Guidelines: Water Licences (July 2014).

### 3.3 Methodology and Approach

The audit was undertaken in accordance with ASAE3000. Our approach to the reporting work was to work closely with the licensee so that comments and challenges could be responded to and addressed before the audit report was finalised. The key areas of our approach included:

- > A start-up discussion (by telephone) with Harvey Water to:
  - Discuss the main issues to be addressed at audit
  - Identify any issues from the previous audit
  - Identify any new issues arising from changes to the Licence or operating environment requirements
  - Discuss the audit plan.
- > Preparation of a draft audit plan for comment by the licensee. The audit plan identified the number and location of audits, the information to be addressed and the auditor responsible.

- > Submission of the draft audit plan to the ERA for approval
- > A start-up meeting on-site at the beginning of our audit work
- > On-site audit work comprising:
  - Face-to-face interviews with business staff responsible for the audit area
  - Demonstration of key systems
  - Sample testing for outcome compliance (assessing sample of documents to confirm procedures / policies are followed and implemented)
  - Review of any non-compliances and assess if any corrective action was undertaken and its effectiveness
  - Controls assessment on obligations that are found to be non-compliant or were assessed as audit priorities 1, 2 or 3 as per the Audit Guidelines
- > Preliminary audit feedback at the audit close-out meeting
- > Preparation of a draft report for the ERA and Harvey Water's review and comment
- > Preparation of a final report for submission to the ERA

Our methodology for completing this audit assignment was based on:

- > A risk assessment that determined the priority of each audit area, using the risk management framework in Appendix A
- > Our understanding of the licensee's business
- > The experience of our audit team in undertaking regulatory audits which has been gained in several jurisdictions in Australia and in the United Kingdom
- > The outcome of the previous audit completed of the licensee

Our audit methodology, including the key documents required to be reviewed and the supporting systems that we requested to see demonstrated, is detailed in Table 3-1 and Table 3-2.



**Table 3-1 Licence Audit Methodology**

Audit Area (Version 6 Licence unless noted otherwise)	Priority	Approach	Systems	Key Documents
<b>Licence Audit</b>				
Clause 2.7 Notices	4	<ul style="list-style-type: none"> <li>Confirm all notices are issued in writing</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Issued notices</li> <li>Licensee communication/correspondence to the ERA</li> </ul>
Clause 2.8 Publishing Information	4	<ul style="list-style-type: none"> <li>Check if any requests have been issued by the ERA to publish any information relating to the performance of the Licensee and correlating response</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Letters of notification / requests from the ERA</li> <li>Response to the ERA</li> </ul>
Clause 2.9 Review of the ERA's decisions	4	<ul style="list-style-type: none"> <li>Confirm if any requests of a reviewable decision have been issued to the ERA and correlating response</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Requests for review of decision (correspondence)</li> </ul>
Clause 3.1 Compliance with Applicable Legislation	Various	<ul style="list-style-type: none"> <li>Review legislative requirements and confirm compliance</li> <li>Identify any corrective action applied to correct / prevent breaches of compliance</li> <li>Assess compliance with the duties of the licensee under the Water Act</li> </ul>	<ul style="list-style-type: none"> <li>Work scheduling system</li> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Performance standards</li> <li>Compliance Summary Reports (record of breaches)</li> <li>Correspondence with ERA</li> </ul>
Clause 3.2 Fees	5	<ul style="list-style-type: none"> <li>Review invoices from ERA and receipts of payment</li> </ul>		<ul style="list-style-type: none"> <li>Invoices and receipts</li> </ul>
Clause 3.3 Provision of Water Services	4	<ul style="list-style-type: none"> <li>Confirm the provision of services complies with those set out in Clause 1 of the operating licence</li> </ul>		<ul style="list-style-type: none"> <li>Current plan of operating area</li> <li>Customer contracts in place for the provision of water services</li> </ul>
Clause 3.4 Provision of Water Services Outside Operating Areas	4	<ul style="list-style-type: none"> <li>Check whether the licensee provides water services outside its designated operating area.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Current plans of operating area and map of licenced operating area</li> </ul>
Clause 3.5 Works Holding Arrangements	4	<ul style="list-style-type: none"> <li>Check whether any water service works that are not held by or for the licensee are covered by a Works Holding Arrangement agreement</li> </ul>		<ul style="list-style-type: none"> <li>Works Holding Arrangements</li> </ul>
Clause 3.6 Accounting Records	4	<ul style="list-style-type: none"> <li>Check that 2013/14, 2014/15 and 2015/16 financial statements are signed off as attaining appropriate standards</li> </ul>		<ul style="list-style-type: none"> <li>2013/14 Financial Statement</li> <li>2014/15 Financial Statement</li> <li>2015/16 Financial Statement (if available)</li> </ul>

Audit Area (Version 6 Licence unless noted otherwise)	Priority	Approach	Systems	Key Documents
Clause 3.7 Reporting Change in Circumstances	4	<ul style="list-style-type: none"> <li>Review any correspondence with the ERA</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> </ul>
Clause 3.8 Provision of Information	4	<ul style="list-style-type: none"> <li>Confirm that the licensee has provided the ERA with data required for performance monitoring purposes as set out in the Compliance Reporting Manual</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Annual compliance reports</li> <li>Annual performance report</li> <li>Correspondence with ERA</li> </ul>
Clause 4.1 Asset Management System	4	<ul style="list-style-type: none"> <li>Confirm that an asset management system is in place (where a system is comprised of appropriate policy and planning documents, staff and supporting systems)</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Asset Management System</li> <li>Computerised Maintenance Management System</li> </ul>	<ul style="list-style-type: none"> <li>Asset Management Policies</li> <li>Asset Management Plans</li> <li>Asset Management Systems and Procedures Manual</li> <li>Asset Register</li> </ul>
Clause 4.2 Individual Performance Standards	4	<ul style="list-style-type: none"> <li>Confirm that the licensee has complied with the standards, principles and reporting requirements set out in Schedule 2</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Planned interruption notices</li> <li>Details of work orders for interruption events</li> <li>Water quality sampling records and reports</li> </ul>
Clause 4.3 Operational Audit	4	<ul style="list-style-type: none"> <li>Confirm ERA's requirement for an operational audit every 24 months</li> <li>Check if any requests have been submitted to the ERA to review requirements</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Previous operational audit reports</li> <li>Correspondence with ERA</li> </ul>
Clause 5.1 Customer Contract	5	<ul style="list-style-type: none"> <li>Check whether the ERA has asked for and approved a customer contract during the audit period.</li> <li>Confirm that the contracts comply with the Customer Contract Guidelines</li> <li>Check whether there have been any amendments to the customer contracts during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Examples of customer contracts</li> </ul>
Clause 5.2 Standard Terms and Conditions of Service	NA	<ul style="list-style-type: none"> <li>Confirm that not applicable</li> </ul>		
Clause 5.3	4	<ul style="list-style-type: none"> <li>Assess whether the licensee has agreements with customers that include non-standard terms and conditions</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> </ul>

Audit Area (Version 6 Licence unless noted otherwise)	Priority	Approach	Systems	Key Documents
Non Standard Terms and Conditions of Service		<ul style="list-style-type: none"> <li>▪ If applicable, confirm that the non-standard terms and conditions have been approved by the ERA</li> <li>▪ If applicable, confirm annual reports of agreements containing non-standard terms and conditions have been published and comply with the operating licence requirements.</li> </ul>		<ul style="list-style-type: none"> <li>▪ Examples of agreements with non-standard terms &amp; conditions (if applicable)</li> <li>▪ Annual reports of non-standard terms &amp; conditions agreements</li> </ul>
Clause 5.4 Hardship Policy	4	<ul style="list-style-type: none"> <li>▪ Confirm that not applicable</li> </ul>		
Clause 5.5 Water Services Ombudsman Scheme	4	<ul style="list-style-type: none"> <li>▪ Confirm whether the licensee is a member of a scheme and assess compliance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>▪ Correspondence with ERA</li> <li>▪ Correspondence with Ombudsman</li> </ul>
Clause 5.6 Supplier of Last Resort	4	<ul style="list-style-type: none"> <li>▪ Confirm whether the licensee is a supplier of last resort and, if applicable, assess compliance with the functions required under the operating licence.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>▪ Correspondence with ERA/Minister</li> <li>▪ Last Resort Supply Plan</li> </ul>
Clause 6.1 Memorandum of Understanding	NA	<ul style="list-style-type: none"> <li>▪ Confirm that not applicable</li> </ul>		

**Table 3-2 Asset Management Review Methodology**

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Asset planning	<ul style="list-style-type: none"> <li>▪ Asset management plan covers key requirements</li> <li>▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</li> <li>▪ Service levels are defined</li> <li>▪ Non-asset options (e.g. demand management) are considered</li> <li>▪ Lifecycle costs of owning and operating assets are assessed</li> <li>▪ Funding options are evaluated</li> <li>▪ Costs are justified and cost drivers identified</li> <li>▪ Likelihood and consequences of asset failure are predicted</li> <li>▪ Plans are regularly reviewed and updated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and assess the adequacy of asset planning processes</li> <li>▪ Review and assess adequacy of asset management plans</li> <li>▪ Assess if asset management plans are up to date</li> <li>▪ Assess implementation of asset management plans (status)</li> <li>▪ Assess whether the asset management plan clearly assigns responsibilities and if these have been applied in practice</li> </ul>	<ul style="list-style-type: none"> <li>▪ GIS</li> <li>▪ Asset database / information system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overview of planning approach</li> <li>▪ Population projections</li> <li>▪ Infrastructure Planning Reports</li> <li>▪ Example planning reports</li> <li>▪ Review of asset management plans</li> <li>▪ Service level agreements</li> </ul>
Asset creation and acquisition	<ul style="list-style-type: none"> <li>▪ Full project evaluations are undertaken for new assets</li> <li>▪ Evaluations include all life-cycle costs</li> <li>▪ Projects reflect sound engineering and business decisions</li> <li>▪ Commissioning tests are documented and completed</li> <li>▪ Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of policies and procedures in relation to asset creation and acquisition</li> <li>▪ Review examples of creations / acquisitions to check if policies and procedures were followed and check costs against estimates</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset database / information system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Policies and procedures for asset creating and acquisition. Accounting and engineering</li> </ul>
Asset disposal	<ul style="list-style-type: none"> <li>▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process</li> <li>▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken</li> <li>▪ Disposal alternatives are evaluated</li> <li>▪ There is a replacement strategy for assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of policies and procedures in relation to asset disposal, asset replacement, identification of under-performing assets</li> <li>▪ Determine if a review on the usefulness of assets are undertaken</li> <li>▪ Review examples to check that policies and procedures are being followed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset database / information system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Policies and procedures for asset disposal. Accounting and engineering</li> </ul>

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Environmental analysis	<ul style="list-style-type: none"> <li>▪ Opportunities and threats in the system environment are assessed</li> <li>▪ Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved</li> <li>▪ Compliance with statutory and regulatory requirements</li> <li>▪ Achievement of customer service levels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review performance and service standards over audit period</li> <li>▪ Review performance / identify any breaches and non-compliances and corrective action taken</li> <li>▪ Review adequacy of reporting and monitoring tools</li> </ul>		<ul style="list-style-type: none"> <li>▪ Policies and procedures</li> <li>▪ Planning reports</li> <li>▪ Customer service</li> <li>▪ Compliance reports</li> <li>▪ Strategic plans (if appropriate)</li> </ul>
Asset operations	<ul style="list-style-type: none"> <li>▪ Operational policies and procedures are documented and linked to service levels required</li> <li>▪ Risk management is applied to prioritise operations tasks</li> <li>▪ Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</li> <li>▪ Operational costs are measured and monitored</li> <li>▪ Staff resources are adequate and staff receive training commensurate with their responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of policies and procedures in relation to asset operations</li> <li>▪ Review staff skills / training and resources available</li> <li>▪ Check that operations procedures are being followed including testing of the asset register, observation of operational procedures and analysis of costs</li> <li>▪ Identify any operational events and corrective actions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset information system</li> <li>▪ SCADA</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset register</li> <li>▪ Operations procedures</li> <li>▪ Operational costs</li> <li>▪ Daily / weekly / monthly checksheets</li> <li>▪ Staff skills / resourcing structure</li> </ul>
Asset maintenance	<ul style="list-style-type: none"> <li>▪ Maintenance policies and procedures are documented and linked to service levels required</li> <li>▪ Regular inspections are undertaken of asset performance and condition</li> <li>▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule</li> <li>▪ Failures are analysed and operational / maintenance plans adjusted where necessary</li> <li>▪ Risk management is applied to prioritise maintenance tasks</li> <li>▪ Maintenance costs are measured and monitored</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of policies and procedures in relation to asset maintenance / maintenance functions</li> <li>▪ Check that policies and procedures have been followed including testing of maintenance schedules, analysis of costs,</li> <li>▪ Review maintenance schedules / plans</li> <li>▪ Identify any maintenance events and corrective actions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset information system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Maintenance procedures and schedules</li> <li>▪ Record of maintenance</li> <li>▪ Maintenance costs</li> </ul>
Asset Management Information System	<ul style="list-style-type: none"> <li>▪ Adequate system documentation for users and IT operators</li> <li>▪ Input controls include appropriate verification and validation of data entered into the system</li> <li>▪ Logical security access controls appear adequate, such as passwords</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy of asset information system:                             <ul style="list-style-type: none"> <li>– Asset coverage</li> <li>– Functionality</li> <li>– Data coverage</li> <li>– Security</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset Management Information System</li> </ul>	<ul style="list-style-type: none"> <li>▪ AMIS manual</li> <li>▪ AMIS data coverage and quality report</li> <li>▪ Asset reports</li> </ul>

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
	<ul style="list-style-type: none"> <li>▪ Physical security access controls appear adequate</li> <li>▪ Data backup procedures appear adequate and backups are tested</li> <li>▪ Key computations related to licensee performance reporting are materially accurate</li> <li>▪ Management reports appear adequate for the licensee to monitor licence obligations</li> </ul>	<ul style="list-style-type: none"> <li>– User functionality granted is appropriate</li> <li>▪ Review outputs / reports generated by systems and assess suitability for reporting against performance standards / licence obligations</li> </ul>		
Risk management	<ul style="list-style-type: none"> <li>▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</li> <li>▪ Risks are documented in a risk register and treatment plans are actioned and monitored</li> <li>▪ The probability and consequence of risk failure are regularly assessed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review risk assessment coverage</li> <li>▪ Review sample of risk mitigation to check policies and procedures are followed</li> <li>▪ Assess staff understanding of risk management and adequacy of risk management training for staff</li> </ul>		<ul style="list-style-type: none"> <li>▪ Corporate Risk management framework</li> <li>▪ Risk assessment</li> </ul>
Contingency planning	<ul style="list-style-type: none"> <li>▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy / relevance and currency of contingency plans</li> <li>▪ Review if plans have been tested and report on findings</li> <li>▪ Identify any improvements that have been actioned as a result of testing of the contingency plans</li> </ul>		<ul style="list-style-type: none"> <li>▪ Contingency plans</li> </ul>
Financial planning	<ul style="list-style-type: none"> <li>▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives</li> <li>▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs</li> <li>▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</li> <li>▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</li> <li>▪ The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy and effectiveness of financial planning and reporting processes</li> <li>▪ Review current financial plan and assess whether the process is being followed</li> </ul>		<ul style="list-style-type: none"> <li>▪ Financial Plan</li> </ul>

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
	<ul style="list-style-type: none"> <li>▪ Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary</li> </ul>			
Capital expenditure planning	<ul style="list-style-type: none"> <li>▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</li> <li>▪ The plan provides reasons for capital expenditure and timing of expenditure</li> <li>▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</li> <li>▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review adequacy and effectiveness of capital planning processes through examination of application of process and example documents</li> </ul>	<ul style="list-style-type: none"> <li>▪ Spreadsheets for capital planning and prioritisation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capital expenditure planning process outline</li> <li>▪ Value engineering documents</li> <li>▪ Risk management applied to investment planning</li> <li>▪ Program management documents</li> <li>▪ Review of capex estimate v outturn</li> </ul>
Review of AMS	<ul style="list-style-type: none"> <li>▪ A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</li> <li>▪ Independent reviews (e.g., internal audit) are performed of the asset management system</li> </ul>	<ul style="list-style-type: none"> <li>▪ Determine when the asset management plan was last updated and assess whether any significant changes have occurred</li> <li>▪ Determine whether any independent reviews have been performed. If so, review results and action taken</li> <li>▪ Consider the need to update the asset management plan based on the results of this review</li> <li>▪ Determine when the AMS was last reviewed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset Management System</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset management plans</li> </ul>

### 3.4 Time Period Covered by the Audit/Review

The operational licence audit covers the period from 18 November 2013 to 30 November 2016. The asset management system review also covers the period from 18 November 2013 to 30 November 2016.

The previous operational licence audit covered the period from 1 January 2010 to 17 November 2013 and was undertaken by Paxon Group. The previous asset management system review also covered the period from 1 January 2010 to 17 November 2013 and was also undertaken by Paxon Group.

### 3.5 Time Period of the Audit/Review Process

The audit/review commenced in October 2016 with the preparation of the draft Audit Plan. Interviews with Harvey Water's staff were carried out on 12 – 14 December 2016 at Harvey Water's office at James Stirling Place, Harvey, Western Australia.

### 3.6 Details of the Licensee Representatives Participating in the Audit/Review

Details of representatives from Harvey Water who participated in the audit and review process are provided in Table 3-3 below.

**Table 3-3 Details of Licensee Representatives**

Name	Position
Geoff Calder	General Manager
Stephen Cook	Operations Manager
Julie Harbour	Customer Services Officer
Alan Thornton	Corporate Services Manager

### 3.7 Details of Key Documents and Other Information Sources

- > South West Irrigation Management Co-operative Ltd (trading as Harvey Water) Water Services Licence – WL31, Version 6, 10 August 2016
- > South West Irrigation Management Co-operative Ltd (trading as Harvey Water) Water Services Licence – WL31, Version 5, 1 July 2016
- > South West Irrigation Management Co-operative Ltd (t/a Harvey Water) Water Services Licence – WL31, Version 4, 18 November 2013
- > South West Irrigation Operating Area (Irrigation and non-potable water supply services) Plan No. OWR-OA-178/3(E)
- > Upper Collie Operating Area (Irrigation and non-potable water supply services) Plan No. OWR-OA-300(A)
- > Paxon Group, South West Irrigation Management Co-operative Limited (trading as Harvey Water) Operational Audit and Asset Management System Review, Audit Report, 5 August 2014
- > Harvey Water (South West Irrigation Management Cooperative Limited), Annual Report 2014
- > Harvey Water (South West Irrigation Management Cooperative Limited), Annual Report 2014/2015
- > South West Irrigation Asset Management Cooperative Limited, Annual Report 2014
- > South West Irrigation Asset Management Cooperative Limited, Annual Report 2014/2015
- > Rural Water Services Pty Ltd, Customer Service Charter 2009 – 2011
- > Rural Water Services Pty Ltd, General Information for Customers
- > Rural Water Services Pty Ltd, 2016-17 Charges
- > ARC GIS
- > Compliance Reports to the Authority for the year ended 30 June 2014, 2015 and 2016



- > Examples of Audit & Risk Committee Meeting Minutes
- > Examples of Board papers and presentations to the Board
- > Examples of monthly Capex and Asset Management Reports
- > Examples of Water Services Monthly Reports to Board
- > Five year forecast budget
- > Future Asset Maintenance Report template
- > Greenbase AMS
- > Harvey Water – Fire Damaged Assets January 2016
- > Harvey Water Asset Management Plan , August 2016
- > Harvey Water Irrigation Scheme – Asset Management – Asset Creation, October 2010 (reviewed March 2014)
- > Harvey Water Irrigation Scheme – Asset Management – Asset Disposal, October 2010 (reviewed March 2014)
- > Harvey Water Risk Management Plan
- > Harvey Water Risk Registers
- > Harvey Water Strategic Plan 2011-2016
- > HW Corporate Risk Management Plan
- > HW WHS Risk Register
- > Memorandum of Understanding between SWIMCO and SWIAC
- > MYOB finance system
- > Operations Budget 2016-17
- > Operations Budget 2016-17 presentation to Board
- > OSI/BOB water ordering systems
- > Performance Reports to the Authority for the year ended 30 June 2014, 2015 and 2016
- > Rules of South West Irrigation Asset Cooperative Limited
- > Rules of South West Irrigation Management Cooperative Limited
- > Sandalwood Road Pumping Station Operations and Maintenance Manual
- > SCADA system
- > SWIMCO Budget 2016/17
- > SWIMCO Operations Budget 2016-17 – Forward Works – Continuous Improvements in Infrastructure and Asset Management
- > SWIMCO Policies Manual
- > SWIMCO Risk Management Policy
- > Water Allocation Resources (WAR) Report
- > Water Controller Procedure Manual

### **3.8 Details of Auditors Participating in the Audit/Review and Hours Utilised**

The audit/review team comprised two staff members from Cardno.

Details of their roles and hours utilised in the audit/review process are provided in Table 3-4.

**Table 3-4 Details of Audit/Review Team Members**

Name	Organisation	Role	Summary of Task	Hours Utilised
Justin Edwards	Cardno	Auditor	<ul style="list-style-type: none"><li>▪ Prepare Audit Plan</li><li>▪ Undertake audit</li><li>▪ Prepare Audit Report</li></ul>	100
Stephen Walker	Cardno	Reviewer	<ul style="list-style-type: none"><li>▪ Review Audit Plan</li><li>▪ Review Audit Report</li></ul>	20

## 4 Licensee's Response to Previous Recommendations

In the previous operational audit and asset management review, a series of actions were recommended or suggested to improve the existing controls.

### 4.1 Previous Audit Non-Compliances and Recommendations

Details of the actions completed by Harvey Water against each of the previous operational licence audit non-compliances and recommendations are presented in Table 4-1.

**Table 4-1 Previous Audit Non-compliances and Recommendations**

A. Resolved before end of previous Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
B. Resolved during current Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
1.1/2014	<p><b>Operational Audit and Asset Management System Review</b></p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p><i>Comply with deadlines for the provision of information to the Authority.</i></p> <p>HW has developed a Reporting and Communication Requirements spreadsheet matrix, which includes the regulatory reporting obligations for the 12 months in each year. This was confirmed at audit. In some cases, outlook reminders have been set up to issue reminders.</p>	December 2014	<p>We note that HW did not provide the 2014/15 or 2015/16 compliance reports to the ERA by the required date in 2015 and 2016. A non-compliance has been reported to the ERA in its 2015/16 Compliance Report and will also be included in the 2016/17 Compliance Report.</p> <p>As such, we recommend that HW review the Outlook</p>

B. Resolved during current Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
	This issue applies to both Clause 16.1 and Clause 17.3 in the operating licence.			reminders it has set-up and implements automatic reminders for the remaining obligations to ensure that reporting deadlines are met.
1.2/2014	<p><b>Performance Standards</b></p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> <li>▪ 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"> <li>– 2009 – 2010: 100%;</li> <li>– 2010 – 2011: 100%;</li> <li>– 2011 – 2012: 100%; and</li> <li>– 2012 – 2013: 14.3%.</li> </ul> </li> </ul> <p>The service standard as included in Schedule 4 of 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.</p>	<p><i>Provide affected customers with 5 business days' notice of planned service interruptions irrespective of when the interruptions occur.</i></p> <p>HW's growing season extends from the start of May to the end of October. The exact opening and closing dates vary depending on the Spring and late rains. During the growing season, HW generally does not complete any shutdowns unless they are for emergencies. If shutdowns are required for emergencies, these are likely to be unplanned interruptions with less than 24 hours' notice provided. Therefore, planned interruptions are typically completed out of season, when water is not being supplied on a daily basis to HW's customers for irrigation purposes.</p> <p>As such, HW have questioned the reporting of the 14.3% performance in 2012/13 as this would not have impacted on customers in the way that the performance may suggest.</p> <p>HW identifies customers affected by supply interruptions through its GIS. The majority of customers are notified of the interruption by SMS and reminder notices are also sent to customers the day before the planned interruption.</p> <p>We reviewed HW's planned interruption events during the audit period and confirmed that at least five days' notice was provided in each instance, with reminder notices also sent closer to the date of shutdown. We</p>	September 2014	No further action required

B. Resolved during current Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
		confirmed that all of the planned shutdown events were completed outside the growing season in each year. We confirmed that HW has achieved the 100% performance it has reported to the ERA in its annual performance reports during the audit period.		
1.3/2014	<b>Provision of Information to the Authority</b> The previous audit noted the following: <ul style="list-style-type: none"> <li>Harvey Water submitted its annual Compliance Report for 2009 –2010 and 2011 - 2012 late.</li> </ul>	<i>Comply with deadlines for the provision of information to the Authority.</i> Refer to 1.1/2014.	December 2014	Refer to 1.1/2014
1.4/2014	<b>Provision of Information to the Authority</b> The previous audit noted the following: <ul style="list-style-type: none"> <li>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.</li> </ul>	<i>Keep a proper and easily accessible (centralised) record of all correspondence distributed to and received from the Authority.</i> HW has a hard copy file for correspondence with the ERA. We confirmed the dates that the annual performance reports were submitted to the ERA for 2014/15 and 2015/16. However, the covering email for the 2013/14 performance report could not be located at audit. The licensee considers that it would have been submitted on time but could not provide any evidence to support this.	December 2014	HW to ensure that correspondence with the ERA is recorded in a proper and easily accessible (centralised) record of all correspondence distributed to and received from the Authority.
1.5/2014	<b>Provision of Information to the Authority</b> The previous audit noted the following: <ul style="list-style-type: none"> <li>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</li> </ul>	<i>Check information included in Performance Reports to ensure the accuracy and completeness thereof. Test the information against both the:</i> <ul style="list-style-type: none"> <li><i>Reporting Manual stipulations; and</i></li> <li><i>Source data used to produce the Performance Reports.</i></li> </ul> We confirmed that the licensee has complied with all of the individual performance	December 2014	No further action required

B. Resolved during current Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
	<p>"Water Compliance Reporting Manual – July 2012" (Reporting Manual);</p> <ul style="list-style-type: none"> <li>▪ The Performance Report for 2009 – 2010 does not disclose the stipulated information in respect of Telephone Service (section 19.1 of the Reporting Manual);</li> <li>▪ The Complaints Register discloses that for:               <ul style="list-style-type: none"> <li>– 2009 – 2010: nine customer complaints were received, one of which was not resolved within 15 business days; and</li> <li>– 2010 – 2011: three customer complaints were received, one of which was not resolved within 15 business days.</li> </ul> </li> <li>▪ 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"> <li>– 2009 – 2010: 100%; and</li> <li>– 2010 – 2011: no complaints were received.</li> </ul> </li> </ul>	standards prescribed by the Authority and included in Schedule 3 of the operating licence for the period from 18 November 2013 until 1 July 2016 and in Schedule 2 of the two operating licences in place for the period 1 July 2016 to the end of the end of the audit period on 30 November 2016.		

C. Unresolved at end of current Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable

## 4.2 Previous Review Ineffective Components and Recommendations

Details of the actions completed by Harvey Water against each of the previous asset management system review recommendations are presented in Table 4-2.

**Table 4-2 Previous Review Ineffective Components and Recommendations**

A. Resolved before end of previous Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
B. Resolved during current review period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
2.1/2014	<p><b>Asset Disposal</b></p> <p>The effectiveness criteria for asset disposal are as follows:</p> <ul style="list-style-type: none"> <li>▪ Under-utilised and under-performing assets should be identified as part of a regular systematic review process</li> <li>▪ The reasons for under-utilisation or poor performance should be critically examined and corrective action or disposal undertaken</li> <li>▪ Disposal alternatives should be evaluated</li> <li>▪ A replacement strategy for assets should be in place</li> </ul> <p>The previous audit noted the following:</p>	<p><i>Include statements regarding investigations of disposal cost and its possible recovery, together with criteria for determining disposal methods in the policy document.</i></p> <p>HW updated its Asset Disposal document in February 2015 and we confirmed that it has completed the recommendations made at the previous asset management review.</p>	February 2015	No further action required

## B. Resolved during current review period

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
2.2/2014	<p><b>Environmental Analysis</b></p> <p>As part of the effectiveness criteria for environmental analysis, compliance with statutory and regulatory requirements should be addressed.</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> <li>The environmental analysis in the Asset Management Plan does not describe the legislative and licensing environment in which the system operates.</li> </ul>	<p><i>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:</i></p> <ul style="list-style-type: none"> <li><i>Relevant legislation regarding Co-operatives;</i></li> <li><i>Rights in Water legislation and its associated Department of Water (DoW) licence; and</i></li> <li><i>Recent Water Services Act 2012 and its associated Authority's Water Services Operating Licence.</i></li> </ul> <p>HW's Asset Management Plan has been updated based on the recommendation made at the previous asset management system review to include a section on Licensing Environment. This section</p>	December 2014	No further action required



## B. Resolved during current review period

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
2.3/2014	<p><b>Risk Management</b></p> <p>The effectiveness criteria for risk management are as follows:</p> <ul style="list-style-type: none"> <li>▪ Risk management policies and procedures should exist and be applied to minimise internal and external risks associated with the asset management system</li> <li>▪ Risks should be documented in a risk register and treatment plans should be actioned and monitored</li> <li>▪ The probability and consequence of risk should be regularly assessed</li> </ul> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> <li>▪ The Risk Management section of the Asset Management Plan contains unnecessary explanation of risk assessment philosophy;</li> <li>▪ 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;</li> <li>▪ 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</li> </ul>	<p>provides very high-level information on the key legislation under which the system is operated and the licenses with which Harvey Water must comply.</p> <ul style="list-style-type: none"> <li>▪ <i>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;</i></li> <li>▪ <i>Extend the risk assessment tables to address the levels of risk associated with public utilities and controls in place; and</i></li> <li>▪ <i>Delete the reference to an Incident Plan as included Table 9.5 of the Risk Management section of the Asset Management Plan.</i></li> </ul> <p>HW's Asset Management Plan has been updated to take account of the risk management recommendations made at the previous asset management system review.</p>	December 2014	No further action required

**B. Resolved during current review period**

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>			
2.4/2014	<p><b>Review of Asset Management System</b></p> <p>The effectiveness criteria for review of the asset management system are as follows:</p> <ul style="list-style-type: none"> <li>▪ A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</li> <li>▪ Independent reviews (e.g., internal audit) are performed of the asset management system</li> </ul> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> <li>▪ The Asset Management Plan is reviewed and updated on an annual basis and submitted to the Board for approval; and</li> <li>▪ 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.</li> </ul>	<p><i>Include editing/broadening of the Risk Management Plans, as per the recommendations above, in subsequent reviews of the Asset Management Plan.</i></p> <p><i>Refer to 2.3/2014</i></p>	December 2014	No further action required

**C. Unresolved at end of current review period**

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
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## 5 Performance Summary

The operational audit is summarised in a table with adequacy of control and compliance rating. The table includes all applicable compliance reporting items and are numbered according to the ERA's Water Compliance Reporting Manual, July 2016. Description of the rating scale and outcomes of the performance audit are provided in the following sections.

### 5.1 Assessment Rating Scales

In accordance with the Audit Guidelines, an assessment of the performance of Harvey Water was completed using the rating scale in Table 5-1 and asset management system effectiveness using the rating scales in Table 5-2 and Table 5-3.

**Table 5-1 Audit Compliance and Controls Rating Scales**

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
NP	Not Performed		

**Table 5-2 Asset Management Process and Policy Definition Adequacy Rating**

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

Rating	Description	Criteria
		<ul style="list-style-type: none"> <li>▪ The asset management information system(s) is not fit for purpose (taking into consideration the assets that are being managed).</li> </ul>

**Table 5-3 Asset Management Performance Ratings**

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

## 5.2 Operational Audit Compliance Summary

Table 5-4 provides a summary of Harvey Water's compliance rating against each licence obligation, and an adequacy of controls rating where the item has been found to be non-compliant.

NA = Not Applicable - Determined during the audit that the compliance obligation does not apply to the licensee's business operations.

NR = Not Rated - No relevant activity took place during the audit period, therefore it is not possible to assess compliance.

NP = Not Performed

**Table 5-4 Audit Obligation Ratings**

Compliance Obligation Ref No. <small>(2016 Water Compliance Reporting Manual unless noted otherwise)</small>	Licence Reference	Audit Priority Applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	NA	NR	
	<b>Notices (Clause 2.7)</b>													
169	Section 12	4						✓	✓					
	<b>Publishing Information (Clause 2.8)</b>													
168	Section 12	4						✓						✓
	<b>Compliance (Clause 3.1)</b>													
156	Clause 3.1.1	4		✓						✓				
<b>Water Services Act 2012</b>														
10	Clause 3.1.1	4							N/A					✓
11	Clause 3.1.1	4		✓						✓				
12	Section 29	4		✓						✓				
13	Section 36	4						✓						✓
16	Section 77(3)	4						✓	✓					
20	Section 90(7)	5						✓						✓
21	Section 95(3)	2							N/A					✓
22	Section 96(1)	4							N/A					✓
23	Section 96(5)	5							N/A					✓

Compliance Obligation Ref No. (2016 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority Applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	NA	NR		
28	Section 119(2)	4					✓								✓
29	Section 122(2)	4					✓								✓
30	Section 125(2)	4					N/A						✓		
31	Section 128(4)	4					✓	✓							
32	Section 129(5)	4					✓								✓
33	Section 139(3)	4					✓								✓
34	Section 141(1)	4					✓	✓							
35	Section 142	4					✓								✓
36	Section 143 (2)	4					✓								✓
37	Section 143 (3)	4					✓								✓
38	Section 144(3)	4					✓								✓
39	Section 145(2)	4					✓								✓
40	Section 147(3)	4					✓								✓
41	Section 147(4)	4					✓								✓
42	Section 151(1)	4					✓								✓
43	Section 151(2)	4					✓								✓
44	Section 152(3)	4					✓								✓
45	Section 153(3)	4					✓								✓
46	Section 166(5)	4					✓								✓
47	Section 166(6)	4					✓								✓
48	Section 170	4					✓								✓
49	Section 173(4)	4					✓								✓
50	Section 174(1)	4					✓								✓
51	Section 174(3)	4					✓								✓

Compliance Obligation Ref No.  (2016 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority Applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	NA	NR		
52	Section 175(2)	4					N/A							✓	
53	Section 175(5)	4					N/A							✓	
54	Section 176(1)	4					✓								✓
55	Section 176(3)	4					✓								✓
56	Section 176(4)	4					✓								✓
57	Section 181	5					✓								✓
58	Section 186	4					✓								✓
59	Sections 187(1) – (3)	4					✓								✓
60	Section 190(4)	4					✓								✓
61	Section 190(5)	4					✓								✓
62	Section 210(5)	4					✓								✓
63	Section 218(2)	5					✓								✓
64	Section 218(3)	4					✓								✓
<b>Water Services Regulations 2013</b>															
74	Regulation 60(2)	4					✓								✓
75	Regulation 63	4					✓	✓							
89	Regulation 85	4					✓								✓
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>															
92	Clause 7	4		✓							✓				
93	Clause 8	4					N/A							✓	
94	Clause 9	4					✓	✓							
95	Clauses 10(2)	4					✓	✓							
96	Clauses 10(3)	4					✓	✓							
97	Clause 10(4)	4					N/A							✓	



Compliance Obligation Ref No.  (2016 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority Applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	NA	NR		
98	Clause 10(5)	4					✓								✓
99	Clause 11	4					✓	✓							
100	Clause 12(1)	4		✓						✓					
101	Clause 12(2)	4		✓						✓					
102	Clause 12(3)	4		✓						✓					
103	Clause 13(1)	4						✓							✓
104	Clause 13(2)	4						✓							✓
105	Clause 14(1)	4						✓	✓						
106	Clause 15	4		✓						✓					
107	Clause 16(2)	4						✓							✓
108	Clause 16(3)	4						✓							✓
109	Clause 16(4)	4						✓							✓
110	Clause 16(5)	4						✓							✓
111	Clause 17(1)	4						✓	✓						
112	Clause 17(2)	4						✓	✓						
113	Clause 18(1)	4						✓	✓						
114	Clause 18(2)	4		✓						✓					
115	Clauses 18(3) & (6)	4		✓						✓					
116	Clause 18(4)	4		✓						✓					
117	Clause 18(5)	4						✓	✓						
118	Clause 20	4						✓	✓						
119	Clause 21(1)	4		✓						✓					
120	Clause 21(2)	4						✓	✓						
121	Clause 22	4		✓						✓					

Compliance Obligation Ref No.  (2016 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority Applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	NA	NR	
122	Clause 23(1)	4					✓	✓						
123	Clause 24	4					✓							✓
124	Clause 25	4					✓	✓						
125	Clauses 26(1) & (2)	4					N/A							✓
126	Clause 26(3)	4					N/A							✓
127	Clause 26(4)	4					N/A							✓
128	Clause 26(5)	4					N/A							✓
129	Clauses 26(6)	4					N/A							✓
130	Clause 27(2)	4					✓	✓						
131	Clause 27(3)	4					✓							✓
132	Clause 28(1)	4					✓							✓
133	Clauses 28(4) & (5)	4					✓	✓						
134	Clause 29	4					✓	✓						
139	Clause 33	4					N/A							✓
142	Clause 34(4)	4					N/A							✓
144	Clause 34(6)	4					N/A							✓
145	Clause 35(1)	4					✓	✓						
146	Clause 35(2)	4					✓	✓						
147	Clause 35(3)	4					✓	✓						
148	Clause 35(4)	4												✓
149	Clause 35(6)	4												✓
150	Clause 36(1)	4					✓							✓
151	Clause 36(1)	4					✓							✓
152	Clause 36(2)	4					✓	✓						

Compliance Obligation Ref No. (2016 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority Applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	NA	NR	
153	Clause 37(1)	4		✓					✓					
154	Clause 12 [Clause 37(2)]	4		✓					✓					
159	Clause 3.1.2	4						✓						✓
2014/157	Clause 5.2	4						N/A						✓
2014/158	Clause 5.3	4		✓					✓					
	<b>Fees (Clause 3.2)</b>													
155	Clause 3.2.1	5						✓	✓					
	<b>Provision of Water Services (Clause 3.3)</b>													
1	Section 21(1)(a)	5						✓	✓					
2	Section 21(1)(b)	4						N/A						✓
3	Section 21(1)(c)	4						✓	✓					
	<b>Provision of Water Services Outside Operating Area (Clause 3.4)</b>													
4	Section 22	4						✓						✓
182	Section 12	4						✓						✓
	<b>Works Holding Arrangements (Clause 3.5)</b>													
5	Section 23	4						✓	✓					
	<b>Accounting Records (Clause 3.6)</b>													
160	Section 12	4						✓	✓					
	<b>Reporting a Change in Circumstance (Clause 3.7)</b>													
163	Section 12	4						✓						✓
2014/164	Section 12	4						✓						✓
	<b>Provision of Information (Clause 3.8)</b>													
165	Section 12	4						✓	✓					
166	Section 12	4		✓						✓				

Compliance Obligation Ref No.  (2016 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority Applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	NA	NR		
167	Section 12	4		✓					✓						
	<b>Asset Management System (Clause 4.1)</b>														
6	Sections 24(1)(a) and 24(2)	4						✓	✓						
7	Section 24(1)(b)	5						✓							✓
2014/170	Section 12	4						N/A						✓	
171	Section 12	5						✓							✓
8	Section 24(1)(c)	5						✓	✓						
172	Section 12	4						✓	✓						
	<b>Individual Performance Standards (Clause 4.2)</b>														
161	Section 12	5						✓	✓						
	<b>Operational Audit (Clause 4.3)</b>														
9	Section 25	4						✓	✓						
162	Section 12	4						✓	✓						
	<b>Customer Contract (Clause 5.1)</b>														
175	Section 12	5						✓							✓
176	Section 12	5						✓							✓
177	Section 12	5						✓							✓
178	Section 12	5						✓							✓
	<b>Standard Terms and Conditions of Service (Clause 5.2)</b>														
2014/174	Section 12	4						N/A						✓	
	<b>Non Standard Terms and Conditions of Service (Clause 5.3)</b>														
179	Section 12	4						✓							✓
180	Section 12	4						✓							✓
	<b>Hardship Policy (Clause 5.4)</b>														

Compliance Obligation Ref No. (2016 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority Applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	NA	NR		
183	Section 12	4					N/A								✓
	<b>Water Services Ombudsman Scheme (Clause 5.5)</b>														
173	Section 12	4						✓	✓						
15	Section 66	4						✓	✓						
	<b>Supplier of Last Resort (Clause 5.6)</b>														
181	Section 12	4								N/A					✓
14	Section 60	4								N/A					✓
	<b>Memorandum of Understanding (Clause 6.1)</b>														
184	Section 12	N/A								N/A					✓
185	Section 12	N/A								N/A					✓
186	Section 12	N/A								N/A					✓
	<b>Performance Standards (Schedule 2)</b>														
190	Section 12	2		✓							✓				
	<b>Other Licence Conditions</b>														
-	Clause 2.9	5								✓					✓

### 5.3 Asset Management Review Effectiveness Summary

The asset management system review assessed the effectiveness of the asset management system in delivering the services as required under the water services licence.

The review was conducted utilising the asset management adequacy and performance ratings as outlined in the Audit Guidelines. A summary of the outcomes of the review is provided in Table 5-5.

Based on our asset management system review observations and findings, we consider that the adequacy and performance of the licensee's system meets a level appropriate for the licensee, given the size, asset base and risks associated with the services that it is licenced to provide. Generally the gradings that we have assigned to the licensee's asset management system components reflect that there is scope for improvement to achieve what would be considered 'best practice'.

**Table 5-5 Asset Management Review Effectiveness Summary**

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<b>Asset planning</b>	<b>B</b>	<b>1</b>
<ul style="list-style-type: none"> <li>▪ Asset management plan covers key requirements</li> </ul>	B	1
<ul style="list-style-type: none"> <li>▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</li> </ul>	B	1
<ul style="list-style-type: none"> <li>▪ Service levels are defined</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Non-asset options (e.g. demand management) are considered</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Lifecycle costs of owning and operating assets are assessed</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Funding options are evaluated</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Costs are justified and cost drivers identified</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Likelihood and consequences of asset failure are predicted</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Plans are regularly reviewed and updated</li> </ul>	A	1
<b>Asset creation/acquisition</b>	<b>B</b>	<b>1</b>
<ul style="list-style-type: none"> <li>▪ Full project evaluations are undertaken for new assets</li> </ul>	A	NP
<ul style="list-style-type: none"> <li>▪ Evaluations include all life-cycle costs</li> </ul>	A	NP
<ul style="list-style-type: none"> <li>▪ Projects reflect sound engineering and business decisions</li> </ul>	A	NP
<ul style="list-style-type: none"> <li>▪ Commissioning tests are documented and completed</li> </ul>	A	NP
<ul style="list-style-type: none"> <li>▪ Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood</li> </ul>	B	1
<b>Asset disposal</b>	<b>B</b>	<b>1</b>
<ul style="list-style-type: none"> <li>▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process</li> </ul>	B	1
<ul style="list-style-type: none"> <li>▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Disposal alternatives are evaluated</li> </ul>	A	1

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> <li>▪ There is a replacement strategy for assets</li> </ul>	A	1
<b>Environmental analysis</b>	<b>B</b>	<b>2</b>
<ul style="list-style-type: none"> <li>▪ Opportunities and threats in the system environment are assessed</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Compliance with statutory and regulatory requirements</li> </ul>	B	2
<ul style="list-style-type: none"> <li>▪ Achievement of customer service levels</li> </ul>	A	1
<b>Asset operations</b>	<b>B</b>	<b>1</b>
<ul style="list-style-type: none"> <li>▪ Operational policies and procedures are documented and linked to service levels required</li> </ul>	B	1
<ul style="list-style-type: none"> <li>▪ Risk management is applied to prioritise operations tasks</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</li> </ul>	B	1
<ul style="list-style-type: none"> <li>▪ Operational costs are measured and monitored</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Staff resources are adequate and staff receive training commensurate with their responsibilities</li> </ul>	A	1
<b>Asset maintenance</b>	<b>B</b>	<b>1</b>
<ul style="list-style-type: none"> <li>▪ Maintenance policies and procedures are documented and linked to service levels required</li> </ul>	B	1
<ul style="list-style-type: none"> <li>▪ Regular inspections are undertaken of asset performance and condition</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Failures are analysed and operational / maintenance plans adjusted where necessary</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Risk management is applied to prioritise maintenance tasks</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Maintenance costs are measured and monitored</li> </ul>	A	1
<b>Asset management information system</b>	<b>A</b>	<b>1</b>
<ul style="list-style-type: none"> <li>▪ Adequate system documentation for users and IT operators</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Input controls include appropriate verification and validation of data entered into the system</li> </ul>	A	1
<ul style="list-style-type: none"> <li>▪ Logical security access controls appear adequate, such as passwords</li> </ul>	A	1

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> <li>Physical security access controls appear adequate</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Data backup procedures appear adequate and backups are tested</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Key computations related to licensee performance reporting are materially accurate</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Management reports appear adequate for the licensee to monitor licence obligations</li> </ul>	A	1
<b>Risk management</b>	<b>B</b>	<b>1</b>
<ul style="list-style-type: none"> <li>Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</li> </ul>	B	1
<ul style="list-style-type: none"> <li>Risks are documented in a risk register and treatment plans are actioned and monitored</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The probability and consequence of risk failure are regularly assessed</li> </ul>	A	1
<b>Contingency planning</b>	<b>C</b>	<b>2</b>
<ul style="list-style-type: none"> <li>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</li> </ul>	C	2
<b>Financial planning</b>	<b>B</b>	<b>1</b>
<ul style="list-style-type: none"> <li>The financial plan states the financial objectives and strategies and actions to achieve the objectives</li> </ul>	B	1
<ul style="list-style-type: none"> <li>The financial plan identifies the source of funds for capital expenditure and recurrent costs</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary</li> </ul>	A	1
<b>Capital expenditure planning</b>	<b>B</b>	<b>1</b>
<ul style="list-style-type: none"> <li>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</li> </ul>	B	1
<ul style="list-style-type: none"> <li>The plan provides reasons for capital expenditure and timing of expenditure</li> </ul>	A	1
<ul style="list-style-type: none"> <li>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</li> </ul>	A	1



Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> <li>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned</li> </ul>	A	1
<b>Review of AMS</b>	<b>A</b>	<b>1</b>
<ul style="list-style-type: none"> <li>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</li> </ul>	A	1
<ul style="list-style-type: none"> <li>Independent reviews (e.g., internal audit) are performed of the asset management system</li> </ul>	A	1

## 6 Observations and Recommendations

### 6.1 Operational Audit

**Table 6-1 Operational Audit Observations**

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<b>Notices (Clause 2.7)</b>						
Unless otherwise specified, all notices must be in writing.	169	Section 12	4	<ul style="list-style-type: none"> <li>The licensee issues all formal correspondence in writing.</li> <li>Correspondence is kept in both electronic and hard copy file. We reviewed a sample of correspondence at audit and confirmed that all notices are in writing.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Annual Compliance Reports</li> <li>Correspondence with ERA</li> <li>Sample of correspondence with customers</li> </ul>	1
<b>Publishing Information (Clause 2.8)</b>						
Subject to clause 2.8.3, the licensee must publish within the specified timeframe any information that the ERA has directed the licensee to publish under clause 2.8.1.	168	Section 12	4	<ul style="list-style-type: none"> <li>The ERA has not directed the licensee to publish information related to this obligation. Therefore the obligation cannot be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>	NR
<b>Compliance (Clause 3.1)</b>						
Subject to any modifications or exemptions granted pursuant to the Act and this licence, the licensee must comply with any applicable legislation.	156	Clause 3.1.1	4	<ul style="list-style-type: none"> <li>The licensee's General Manager is ultimately responsible for the organisation's asset management activities and any revisions or exemptions as well as keeping staff informed of these changes.</li> <li>We have identified a small number of non-compliances with applicable legislation as follows:</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Annual compliance reports</li> <li>This audit report</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>– Section 27 – Compliance with Code of Conduct (Obligation 11)</li> <li>– Section 29 – Duties of the Licensee (Obligation 12)</li> </ul>		
<b>Water Services Act 2012</b>						
<b>Compliance with Code of Practice made by the Minister</b> The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	10	Section 26(3)	4	<ul style="list-style-type: none"> <li>▪ No code(s) of practice have been made by the Minister that apply to the licensee. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Correspondence with ERA</li> </ul>	NA
<b>Compliance with Code of Conduct made by Authority</b> The licensee must comply with the code of conduct that may be made by the ERA to the extent to which it applies to the licensee and is not inconsistent with the licence.	11	Section 27	4	<ul style="list-style-type: none"> <li>▪ Obligations 92 – 154 in this table relate to specific requirements of the licensee relating to the Code of Conduct.</li> <li>▪ We note that the <i>Code of Conduct (Customer Service Standards) 2013</i> obligations do not apply to cooperative members, although the Cooperative is free to provide the services to its members in line with the Code.</li> <li>▪ Although the Rural Water Services Pty Ltd subsidiary company is a member/shareholder of the Cooperatives, its customers are not members in their own right. In addition, the licensee also has By Law Customers, who are non-member customers and take water on an opportunistic basis.</li> <li>▪ As such, we consider that the obligations under the <i>Code of Conduct (Customer Service Standards) 2013</i> apply to the Rural Water Services (RWS) customers and the By Law Customers.</li> <li>▪ Based on this, we have found through this audit that the licensee has not complied with all requirements of the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Annual Compliance Reports 2013/14, 2014/15, 2015/16</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ This audit report</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>Code of Conduct with regard to its non-member customers, specifically:</p> <ul style="list-style-type: none"> <li>- Clause 7 – Information on connections (Obligation 92)</li> <li>- Clause 12(1) – Information on bills (Obligation 100)</li> <li>- Clause 12(2) – Information on bills (Obligation 101)</li> <li>- Clause 12(3) – Information on bills (Obligation 102)</li> <li>- Clause 15 – Leaks (Obligation 106)</li> <li>- Clause 18(2) – Review of bills (Obligation 114)</li> <li>- Clauses 18(3) and (6) – Review of bills (Obligation 115)</li> <li>- Clause 18(4) – Review of bills (Obligation 116)</li> <li>- Clause 21(1) – Payment methods (Obligation 119)</li> <li>- Clause 22 – Consent for Direct Debits (Obligation 121)</li> <li>- Clause 35(4) – Procedure for dealing with complaints about water services (Obligation 148)</li> <li>- Clause 35(6) – Procedure for dealing with complaints about water services (Obligation 149)</li> <li>- Clause 37(1) – Information to be publically available (Obligation 153)</li> <li>- Clause 37(2) – Information to be publically available (Obligation 154)</li> </ul>		
<b>Licensee must comply with duties under Act</b>	12	Section 29	4	<ul style="list-style-type: none"> <li>▪ The duties of the licensee are set out in Part 2, Division 3 of the Act. The</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.</p>				<p>compliance of the licensee with these obligations has been tested in this audit, resulting in a number of non-compliances being found. As a result, this obligation has been rated as non-compliant.</p> <ul style="list-style-type: none"> <li>▪ The licensee seeks to comply with its duty to provide irrigation and non-potable water services within its operating area.</li> <li>▪ The licensee has received a very small number of complaints regarding its water services in the audit period.</li> <li>▪ The licensee advises it has not refused provision of irrigation services or non-potable water services in the audit period to customers.</li> <li>▪ The licensee has suspended provision of these services to a number of individual customers during the audit period for non-payment of bills, unauthorised use of water (taking water in excess of the customer's allocation) and misuse of assets (stopping meters). The licensee has established Rules for its members related to how the cooperative works and the obligations of the licensee and the shareholder members. The licensee offers payment arrangements to customers and has a debtor policy which it uses to manage customers in debt. Restricting and suspending water supply is considered the final step.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operating Licence</li> <li>▪ Asset Management System</li> <li>▪ Previous operational audit report (Paxon, August 2014)</li> </ul>	
<p><b>Provision of a water service ceasing — duty to leave system in safe condition</b></p> <p>If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not</p>	13	Section 36	4	<ul style="list-style-type: none"> <li>▪ The licensee advised that it has not ceased to provide a water service during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
remove any part of the works except with the approval of the Minister.						
<p><b>Interruption of water services generally</b></p> <p>The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.</p>	16	Section 77(3)	4	<ul style="list-style-type: none"> <li>▪ The licensee has in place appropriate asset management practices to minimise the extent or duration of any interruption of its water services. We discuss asset management practices further in the second section of this report.</li> <li>▪ Generally the licensee only carried out planned shutdowns outside of the irrigation season when it isn't providing a daily supply for its customers. Only emergency shutdowns would be expected to be completed during the growing season. Outside of the October to May growing season water is supplied every 21 days on demand for stock water required by dairy farmer customers.</li> <li>▪ If the licensee needs to initiate a planned shutdown within the irrigation system, it issues notices to growers. Copies of the notices are kept on file. The majority of notices are provided by SMS and a list of the contacted customers are maintained for each shutdown.</li> <li>▪ The licensee provides at least five days' notice of a planned interruption. We reviewed the planned shutdowns carried out during the audit period and confirmed that customers have been provided with at least five days' notice. A reminder is also sent closer to the date of the shutdown.</li> <li>▪ No major planned interruptions have been carried out requiring significant advance notice.</li> <li>▪ Weed management of the Collie River Irrigation District open channels is</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of asset management system</li> <li>▪ Annual Compliance Reports 2013/14, 2014/15, 2015/16</li> <li>▪ Notices of planned shutdowns</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>completed outside the growing season. This is carried out by weed spraying. Acrolein treatment in the open channels is not required.</p> <ul style="list-style-type: none"> <li>▪ Shutdowns and drainage of the open channel system is not required to manage heavy rain events.</li> <li>▪ We reviewed the planned shutdown notices and confirmed that the licensee has provided all customers with more than five business days' notice of a planned interruption in the period. We confirmed that all the shutdowns have been carried out outside of the growing season. We also confirmed that the licensee has not received any complaints during the audit period related to customers not being provided with sufficient notice of a planned shutdown.</li> <li>▪ The licensee has a proposed contract with Water Corporation for the management of the Water Corporation's assets that supply water to the licensee. This sets out the requirements for notice to be provided for work carried out on Water Corporation's dams that impact on the water supplied to the licensee. At the current time work has been completed outside of the growing season and is carried out in conjunction with the licensee.</li> <li>▪ Based on our observations and findings, we consider that the licensee takes reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.</li> </ul>		
<b>Construction etc. over or in vicinity of water service works of licensee</b>	20	Section 90(7)	5	<ul style="list-style-type: none"> <li>▪ The licensee has not issued any compliance notices under the Act during</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.</p>				the audit period related to construction in the vicinity of water service works.		
<p><b>Disconnection or reduction in rate of flow etc.</b></p> <p>The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.</p>	21	Section 95(3)	2	<ul style="list-style-type: none"> <li>The licensee does not provide water supply services to dwellings. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
<p><b>Fire hydrants</b></p> <p>If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of FESA, or the relevant local government as to the location and type of hydrant.</p>	22	Section 96(1)	4	<ul style="list-style-type: none"> <li>The licensee does not install fire hydrants and has not been asked to by the local fire authorities.</li> <li>However, the licensee has installed a number of community supply points on its pipe schemes that are able to be used for firefighting purposes. A fitting has been developed that allows them to be connected for this purpose.</li> <li>In addition, air valves on the piped schemes can be converted to fire hydrants if required.</li> <li>As such, the assets that can be used as by the fire authorities are not permanent fire hydrant assets. These assets were used in the January 2016 bushfires that took place in the Waroona Irrigation District. As the licensee's irrigation schemes are not power dependent, this made them advantageous over the Water Corporation water systems in the area.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>FESA (Fire and Emergency Services of Western Australia) are permitted to pump out of the irrigation channels if required.</li> <li>Based on our observations and findings, we consider that this obligation should be rated as Not Applicable.</li> </ul>		
The licensee must comply with requests made by FESA or a local government under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	23	Section 96(5)	5	<ul style="list-style-type: none"> <li>As above.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
<b>Compliance Notices</b> The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	28	Section 119(2)	4	<ul style="list-style-type: none"> <li>The licensee has issued two compliance notices during the audit period for issues relating to interfering with water service works of licensee and taking water without or contrary to approval.</li> <li>We reviewed the correspondence/case files which confirmed the details of each breach and the information provided to the customer in each case.</li> <li>However, although compliance with these requirements are set out under sections 88 and 89 of the Water Act 2012, they do not apply to a member of the licensee.</li> <li>Therefore, although the licensee has issued the relevant customers with notices, they have been made under the Rules of the Cooperative as opposed to being made under the Act. As a result, we consider that this obligation is not rateable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Customer correspondence files</li> <li>Rules of South West Irrigation Management Cooperative Limited</li> <li>Rules of South West Irrigation Asset Cooperative Limited</li> </ul>	NR
<b>Review of decision relating to giving compliance notices</b> If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take,	29	Section 122(2)	4	<ul style="list-style-type: none"> <li>The licensee has not issued any compliance notices under the Act that resulted in an application to the Tribunal. Therefore, this obligation is not rateable for the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Customer correspondence files</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
or continue to take, action against the person except in the circumstances specified.					<ul style="list-style-type: none"> <li>Rules of South West Irrigation Management Cooperative Limited</li> <li>Rules of South West Irrigation Asset Cooperative Limited</li> </ul>	
<b>Supplying groups of dwellings</b> If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the Strata Titles Act 1985.	30	Section 125(2)	4	<ul style="list-style-type: none"> <li>The licensee does not supply dwelling and does not apportion any of its fees. Therefore, this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
<b>Prohibition on dealings in land</b> If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	31	Section 128(4)	4	<ul style="list-style-type: none"> <li>The licensee has a deferred payment arrangement that it offers its RWS customers for paying for a new connection. This arrangement is set out over a five year period and essentially represents a loan to the customer from the licensee.</li> <li>As a result, the licensee registers a caveat with Landgate related to a clause in the customer contract that is added to the customer's land title. Once the payment arrangement has finished, the licensee communicates with Landgate for the removal of the caveat from the land title.</li> <li>The licensee provided examples of customer contracts and correspondence with Landgate and we were able to confirm examples of new caveats that have been added to the customer's land title and examples of withdrawal of the</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with Landgate</li> <li>Examples of lodgements and withdrawal of caveats</li> <li>Examples of customer contracts</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				caveat lodged with Landgate once the payment for the new connection has been settled in full.		
<p><b>Reading meters etc. and routine inspection and maintenance</b></p> <p>If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.</p>	32	Section 129(5)	4	<ul style="list-style-type: none"> <li>▪ The licensee does not have any easements for its assets. The assets are either located in municipal or privately owned land. The licensee pays rent in one location to the Perth Transport Authority in order to be able to access its assets located on railway land.</li> <li>▪ The location of the licensee's assets on land that it does not own or have an easement agreement to access, extends to the supply points to customers. Although some of these are located in the road reserves, many are located within the customer's property boundary. As a result, the licensee has to access the customer's property to carry out meter readings and complete maintenance work on the supply points throughout its operating area.</li> <li>▪ Section 3.3 of the Customer Service Charter, January 2014 for its members informs customers that "We will provide written notice at least 14 days in advance when it is necessary to enter onto private land for planned major construction works. However, because of the nature of irrigation operations, and the frequent need to enter onto our customer's properties, we are not always able to advise of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present, we will leave a calling card or send an SMS message to advise of our visit". We note that this clause is not included in the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>separate customer charter for RWS customers who are smallholders supplied with water for stock and garden purposes. We recommend that the licensee reviews and updates this Charter document to inform the RWS customers of this information.</p> <ul style="list-style-type: none"> <li>▪ Over 70% of the licensee's meter fleet have data loggers installed which allows for wireless communication and minimises the need to access customer property for meter reading purposes.</li> <li>▪ During our site inspections we observed that the majority of customer supply points that were viewed were just inside the customer property boundary but a stile had been installed to allow the meter and supply infrastructure to be easily accessed by the licensee's field staff.</li> <li>▪ The licensee has rights under the Water Agencies (Powers) Act 1984 to inspect land or infrastructure that may require the licensee to access a customer's property.</li> <li>▪ However, the licensee considers that it has not had to provide 48 hours' notice entry for routine inspection and maintenance during the audit period. Any entry or access times would be expected to be agreed with the occupier if required. As a result, we consider that this obligation is not able to be rated.</li> </ul>		
<p><b>Ancillary works powers</b> If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.</p>	33	Section 139(3)	4	<ul style="list-style-type: none"> <li>▪ The licensee is aware of its obligation to provide affected parties notice if it removes or erects a fence or gate.</li> <li>▪ However, the licensee has not carried erected or removed any fences or gates during the audit period. Therefore, this obligation has not been rated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p><b>Special provisions applicable to road works</b></p> <p>In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.</p>	34	Section 141(1)	4	<ul style="list-style-type: none"> <li>▪ During the audit period the licensee has completed two planned pipe repairs that required the road surface to be broken. One repair took place in 2014 and one in September 2016.</li> <li>▪ The licensee prepared traffic management plans in advance of these works and provided the plans to the Shire of Harvey. We reviewed the two traffic management plans and confirmed that in both cases, the licensee had provided more than two weeks' notice to the public authority managing the road.</li> <li>▪ In addition, the licensee required a repair to be completed on a pipe crossing a road bridge during the audit period. However, this work was completed by the Shire and the licensee was not responsible for the management of the work.</li> <li>▪ Therefore, based on our observations, we consider that the licensee has complied with the obligation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Examples of Traffic Management Plans</li> </ul>	1
<p><b>Prerequisites to provision of major works</b></p> <p>The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.</p>	35	Section 142	4	<ul style="list-style-type: none"> <li>▪ The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period.</li> <li>▪ The proposed Collie Water project is at pre-feasibility stage, and so there are no definite details to present at the current time.</li> <li>▪ Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of Asset Management Plan</li> </ul>	NR
<p><b>Licensee to prepare plans and publish and give notice of major works</b></p> <p>Before the licensee submits a proposal for the provision of major works to the</p>	36	Section 143(2)	4	<ul style="list-style-type: none"> <li>▪ The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of Asset Management Plan</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.				<ul style="list-style-type: none"> <li>The proposed Collie Water project is at pre-feasibility stage, and so there are no definite details to present at the current time.</li> <li>Therefore, this obligation is not able to be rated.</li> </ul>		
<b>Licensee to prepare plans and publish and give notice of major works</b> The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	37	Section 143(3)	4	<ul style="list-style-type: none"> <li>The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period.</li> <li>The proposed Collie Water project is at pre-feasibility stage, and so there are no definite details to present at the current time.</li> <li>Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> </ul>	NR
<b>Objections and submissions</b> The licensee must have regard to an objection or submission lodged within the relevant period.	38	Section 144(3)	4	<ul style="list-style-type: none"> <li>The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period.</li> <li>The proposed Collie Water project is at pre-feasibility stage, and so there are no definite details to present at the current time.</li> <li>Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> </ul>	NR
<b>Licensee may amend proposal</b> If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	39	Section 145(2)	4	<ul style="list-style-type: none"> <li>The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period.</li> <li>The proposed Collie Water project is at pre-feasibility stage, and so there are no definite details to present at the current time.</li> <li>Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<b>Powers of Minister in respect of proposal</b> The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	40	Section 147(3)	4	<ul style="list-style-type: none"> <li>The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period.</li> <li>The proposed Collie Water project is at pre-feasibility stage, and so there are no definite details to present at the current time.</li> <li>Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> </ul>	NR
<b>Powers of Minister in respect of proposal</b> If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	41	Section 147(4)	4	<ul style="list-style-type: none"> <li>The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period.</li> <li>The proposed Collie Water project is at pre-feasibility stage, and so there are no definite details to present at the current time.</li> <li>Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> </ul>	NR
<b>Licensee to prepare plans and give notice of general works</b> A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	42	Section 151(1)	4	<ul style="list-style-type: none"> <li>The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> </ul>	NR
<b>Licensee to prepare plans and give notice of general works</b> The licensee must give a notice of general works setting out the matters referred to in section 151(3) to the persons and agencies specified.	43	Section 151(2)	4	<ul style="list-style-type: none"> <li>The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> </ul>	NR
<b>Objections and submissions</b> The licensee must have regard to an objection or submission lodged by the date	44	Section 152(3)	4	<ul style="list-style-type: none"> <li>The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
specified in the notice given under section 151(2).				the audit period. Therefore, this obligation is not able to be rated.		
<b>Licensee may amend proposal</b> If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	45	Section 153(3)	4	<ul style="list-style-type: none"> <li>The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Taking of interest in land for purposes of licensee</b> On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	46	Section 166(5)	4	<ul style="list-style-type: none"> <li>The licensee has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
Any costs incurred in taking an interest in land are to be paid by the licensee.	47	Section 166(6)	4	<ul style="list-style-type: none"> <li>The licensee has not been required to take an interest in land under the Act. Therefore, this clause is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Sale of land</b> The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the Planning and Development Act 2005, unless the Minister permits the licensee to do so.	48	Section 170	4	<ul style="list-style-type: none"> <li>The licensee has not been required to sell an interest in land under the Act. Therefore, this clause is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Entry with consent or under notice or warrant</b> In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	49	Section 173(4)	4	<ul style="list-style-type: none"> <li>As noted against obligation 32, Section 3.3 of the Customer Service Charter, January 2014 for its members informs customers that: "We will provide written notice at least 14 days in advance when it is necessary to enter onto private land for planned major constriction works. However, because of the nature of irrigation operations, and the frequent need to enter onto our customer's</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> </ul>	NR



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>properties, we are not always able to advise of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present, we will leave a calling card or send an SMS message to advise of our visit".</p> <ul style="list-style-type: none"> <li>▪ We note that this clause is not included in the separate customer charter for RWS customers who are smallholders supplied with water for stock and garden purposes. We recommend that the licensee reviews and updates this charter to inform the RWS customers of this information.</li> <li>▪ The licensee does not have any easements for its assets. The assets are either located in municipal or privately owned land. The licensee pays rent in one location to the Perth Transport Authority in order to be able to access its assets located on railway land.</li> <li>▪ The location of the licensee's assets on land that it does not own or has an easement agreement to access extends to the supply points to customers. Although some of these are located in the road reserves, many are located within the customer's property boundary. As a result, the licensee has to access the customer's property to carry out meter readings and complete maintenance work on the supply points throughout its operating area.</li> <li>▪ Over 70% of the licensee's meter fleet have data loggers installed which allows for wireless communication and minimises the need to access customer property for meter reading purposes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sample of planned notices of work</li> </ul>	

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>During our site inspections we observed that the majority of customer supply points that were viewed were just inside the customer property boundary but a stile had been installed to allow the meter and supply infrastructure to be easily accessed by the licensee's field staff.</li> <li>The licensee has rights under the Water Agencies (Powers) Act 1984 to inspect land or infrastructure that may require the licensee to access a customer's property.</li> <li>The licensee has 721 irrigators, 238 Rural Water Supply points and 4 industrial customer and consider that the staff are familiar with the customers and vice versa.</li> <li>However, the licensee considers that it has not been required to provide 48 hours' notice of proposed entry during the audit period. Any entry or access times would be expected to be agreed with the occupier if required. As a result, we consider that this obligation is not able to be rated.</li> </ul>		
<b>Notice of entry</b> Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	50	Section 174(1)	4	<ul style="list-style-type: none"> <li>Refer to previous obligation observations.</li> <li>The licensee consider that it would only need entry for proposed works in order to install a new supply point and the entry would have been agreed with the customer as part of the contract agreement. Therefore, this obligation has not been rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> <li>Sample of planned notices of work</li> </ul>	NR
Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry,	51	Section 174(3)	4	<ul style="list-style-type: none"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. In addition,</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.</p>				<p>the licensee has rights under the Water Agencies (Powers) Act 1984 to inspect land or infrastructure that may require the licensee to access a customer's property.</p> <ul style="list-style-type: none"> <li>▪ As the licensee's assets are not constructed in land owned by the licensee and it does not have any easements, access to private land is required to inspect and maintain the assets.</li> <li>▪ As noted previously, Section 3.3 of the Customer Service Charter, January 2014 for its members informs customers that, "We will provide written notice at least 14 days in advance when it is necessary to enter onto private land for planned major construction works. However, because of the nature of irrigation operations, and the frequent need to enter onto our customer's properties, we are not always able to advise of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present, we will leave a calling card or send an SMS message to advise of our visit". We note that this clause is not included in the separate customer charter for RWS customers who are smallholders supplied with water for stock and garden purposes. We recommend that the licensee reviews and updates this Charter document to inform the RWS customers of this information.</li> <li>▪ Although the Rules of the two Cooperatives provide detailed information related to the obligations and responsibilities of the shareholder members, there is very little specific</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Sample of planned notices of work</li> </ul>	

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>information related to the obligations of the licensee and members in specific relationship to the management of the assets and the associated operation and maintenance activities.</p> <ul style="list-style-type: none"> <li>▪ Although there are obviously mutual benefits to both the licensee and customers through the success of a cooperative, we recommend that the licensee considers an update to the Rules of the two cooperatives to set out the obligations and responsibilities related to the licensee being able to access the assets located on its customers' properties.</li> <li>▪ The licensee considers that entry or access times would be expected to be agreed with the occupier if required. However, no specific records are maintained if entry is agreed with the occupier unless it is in writing. As a result, we consider that although the licensee is likely to have provided the necessary notice when required, this obligation is not able to be rated.</li> </ul>		
<p><b>Rights of occupier of dwelling</b> If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.</p>	52	Section 175(2)	4	<ul style="list-style-type: none"> <li>▪ Although the licensee needs to access customer's property to access supply points throughout the irrigation districts, it does not need to enter customer dwellings, based on the Water Services Act 2012's definition of a 'dwelling'. Therefore, this obligation is not applicable to the licensee.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NA
<p>If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.</p>	53	Section 175(5)	4	<ul style="list-style-type: none"> <li>▪ Although the licensee needs to access customer's property to access supply points throughout the irrigation districts, it does not need to enter customer dwellings, based on the Water Services Act 2012's definition of a 'dwelling'.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NA

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				Therefore, this obligation is not applicable to the licensee.		
<p><b>When authorised person must leave etc.</b></p> <p>If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.</p>	54	Section 176(1)	4	<ul style="list-style-type: none"> <li>▪ The licensee's Workplace Health and Safety handbook provides some information on staff responsibilities but there is no specific policy related to staff conduct.</li> <li>▪ The licensee has a Code of Conduct Policy include in its Policy manual but this is aimed more for conduct of directors and executive staff rather than being for field or administrative staff communicating and dealing with the public and/or the licensee's customers.</li> <li>▪ We note that there are no specific policies included in the licensee's Policy Manual related to Powers Of Entry.</li> <li>▪ However, no incidents could be recalled from the audit period where the owner or occupier has refused or withdrawn their consent and the licensee's staff have been required to leave the premises as soon as practicable after being notified. Therefore, this obligation is not able to be rated.</li> <li>▪ Based on our observations and our comments for the obligations related to providing notice and entry to customer property, we recommend that the licensee develops policies for Powers of Entry and for Staff Conduct.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Policies Manual 2016-17</li> </ul>	NR
<p>The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act if they are not able to do so.</p>	55	Section 176(3)	4	<ul style="list-style-type: none"> <li>▪ As noted for obligation 54, the licensee does not have a specific Code of Conduct that covers matters related to dealing with the public.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Policies Manual 2016-17</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>▪ We note that there are no specific policies included in the licensee's Policy Manual related to Powers of Entry.</li> <li>▪ The licensee did not designate any inspectors or compliance officers during the audit period and, as a result, has not produced any certificates of approval for these specific roles.</li> <li>▪ However, the licensee does not recall any occasions where staff were required to produce a certificate of authority and there is no recorded evidence of occasions when this has happened. Therefore, this obligation has been rated as Not Rated.</li> <li>▪ Following on from our recommendation in obligation 54, we recommend that the Code of Conduct should include references to requirements for certificate of authority.</li> </ul>		
If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	56	Section 176(4)	4	<ul style="list-style-type: none"> <li>▪ Refer to the observations for Obligation 55.</li> <li>▪ There have been no known cases during the audit period where staff have been requested to produce evidence of authority for that entry by the owner or occupier. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Policies Manual 2016-17</li> </ul>	NR
<p><b>Actions of authorised persons and others</b></p> <p>The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.</p>	57	Section 181	5	<ul style="list-style-type: none"> <li>▪ Refer to the observations for Obligation 55.</li> <li>▪ There have been no known cases during the audit period where staff have had to comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Policies Manual 2016-17</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>Following on from our recommendation in obligation 54, we recommend that the Code of Conduct should include references to requirements for actions of authorised persons and others.</li> </ul>		
<b>Contents of application</b> If the licensee applies for a warrant, the application must contain the prescribed information.	58	Section 186	4	<ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> <li>Following on from our recommendation in obligation 54, we recommend that the Code of Conduct should include references for applying and executing warrants.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>How application to be made</b> If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	59	Sections 187(1) – (3)	4	<ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Execution of warrant</b> Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	60	Section 190(4)	4	<ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	61	Section 190(5)	4	<ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Designation of inspectors and compliance officers</b> If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate	62	Section 210(5)	4	<ul style="list-style-type: none"> <li>The licensee has not designated any person as an inspector or compliance officer. Therefore, this obligation cannot be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
of authority that includes certain prescribed information.						
<p><b>Liability of certain persons for damage caused in exercise of powers</b></p> <p>In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.</p>	63	Section 218(2)	5	<ul style="list-style-type: none"> <li>The licensee has not exercised a works power of entry under this act during the audit period. Therefore this obligation is not able to be rated.</li> <li>No complaints regarding the licensee's actions to deliver the irrigation or non-potable water services have been received during the audit period.</li> <li>The licensee has a strong customer focus and strong connection with its customers through the established cooperative structure which provides assurance that it would comply with this obligation if tested. The licensee considers that given the relatively small number of customers, the specific services provided, and the water ordering system used by the irrigation customers, the customers and staff are familiar with each other.</li> </ul>	Interviews with licensee staff	NR
<p>If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.</p>	64	Section 218(3)	4	<ul style="list-style-type: none"> <li>The licensee has not exercised a works power or power of entry under this act during the audit period. Therefore this obligation is not able to be rated.</li> </ul>	Interviews with licensee staff	NR
<b>Water Services Regulations 2013</b>						
<p><b>Altering position of service infrastructure in roads</b></p> <p>If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the</p>	74	Regulation 60(2)	4	<ul style="list-style-type: none"> <li>The licensee has not exercised a works power in a road during the audit period. Therefore, this obligation has not been rated.</li> </ul>	Interviews with licensee staff	NR



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
person make the alterations within the time specified in the notice.						
<b>Roads broken up to be reinstated</b> If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	75	Regulation 63	4	<ul style="list-style-type: none"> <li>▪ During the audit period the licensee has completed two planned pipe repairs that required the road surface to be broken. One repair took place in 2014 and one in September 2016.</li> <li>▪ The licensee prepared traffic management plans in advance of these works and provided the plans to the Shire of Harvey.</li> <li>▪ The licensee uses a sub-contractor to bring the road surface back to the required Shire standard. Although there were two cases of the road surface requiring to be broken during the audit period, generally the licensee utilises under road drilling for new pipe sections as this method is cheaper than digging up the road.</li> <li>▪ The licensee also required a repair to be completed on a pipe crossing a road bridge during the audit period. However, this work was completed by the Shire and the licensee was not responsible for the management of the work.</li> <li>▪ Therefore, based on our observations, we consider that the licensee has complied with the obligation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Examples of traffic management plans</li> <li>▪ Correspondence with the Shire</li> </ul>	1
<b>Compliance Notices</b> Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	89	Regulation 85	4	<ul style="list-style-type: none"> <li>▪ The licensee has issued two compliance notices during the audit period for issues relating to interfering with water service works of licensee and taking water without or contrary to approval.</li> <li>▪ We reviewed the correspondence/case files which confirmed the details of each</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Customer correspondence files</li> <li>▪ Rules of South West Irrigation Management Cooperative Limited</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				breach and the information provided to the customer in each case. <ul style="list-style-type: none"> <li>However, although compliance with these requirements are set out under sections 88 and 89 of the Water Services Act 2012 and Regulation 85, they do not apply to a member of the licensee.</li> <li>As a result, the notices issues have details of the breach of rules for members, reference the relevant clauses in the Rules, and the consequences and penalties, but do not provide reference back to the sections in the Act. Under the Rules of the Cooperative, the customer is able to have their case reviewed and present directly to the Board if required.</li> <li>Therefore, although the licensee has issued the relevant customers with notices, they have been made under the Rules of the Cooperative as opposed to being made under the Act. As a result, we consider that this obligation is not rateable.</li> </ul>	<ul style="list-style-type: none"> <li>Rules of South West Irrigation Asset Cooperative Limited</li> </ul>	
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>						
<b>Note: The Code of Conduct (Customer Service Standards) 2013 obligations do not apply to cooperative members, although the Cooperative is free to provide the services to its members in line with the Code. Although the Rural Water Services Pty Ltd subsidiary company is a member/shareholder of the Cooperatives, its customers are not members in their own right. In addition, the licensee also has By Law Customers, who are non-member customers and take water on an opportunistic basis. As such, we consider that the obligations under the Code of Conduct (Customer Service Standards) 2013 apply to the Rural Water Services (RWS) customers and the By Law Customers.</b>						
<b>Information about connections</b> The licensee must have written information for customers about the prescribed matters.	92	Clause 7	4	<ul style="list-style-type: none"> <li>An overview about RWS connections is included in Section 2 of the Customer Service Charter.</li> <li>The Conditions of Connection provides an overview of the two types of customers, the information available and</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>the process for applying for a new connection.</p> <ul style="list-style-type: none"> <li>▪ The Piping Policies inform customers on matters regarding types and location of supply points, requirements and approvals for new supply points, scheduling, refunds, integration and the RWS (Rural Water Service).</li> <li>▪ The RWS Connection Agreement includes information on customer obligations, connection fees, usage fees, and termination of the contract.</li> <li>▪ Although there is no specific reference to Section 73 of the Act, the general entitlements are contained within the documents included in the Condition of Connection Information Package.</li> <li>▪ Although there is no specific reference to Section 21 of the Act, the licensee conveys its duty to provide services as per Section 21 of the Act within the documents included in the Condition of Connection Information Package.</li> <li>▪ Although there is no specific reference to the regulations relating to Section 21(2)(c) or 21(3)(c), this information is outlined in the documents included in the Condition of Connection Information Package.</li> <li>▪ Clause 7(2)(g) references the period mentioned in Clause 8 in which connections re required to be completed, under which the definition of a connection relates to a standard 20mm water supply pipe. As a result, we consider that Clause 7(2)(g) is not applicable to Harvey Water.</li> </ul>	<p>Service Charter, 2009 – 2011</p> <ul style="list-style-type: none"> <li>▪ Harvey Water Conditions of Connection</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Harvey Water Piping Policies</li> <li>▪ 2016-17 Charges</li> </ul>	

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>▪ Customers requesting new RWS connections are provided with a Condition of Connection Information Package. This includes the Conditions of Connection, the licensee's Piping Policies, the RWS Customer Service Charter, the current year Charges information, and the RWS Connection Agreement document. Requests for new connections from shareholder members of the Cooperative receive a different Condition of Connection Information Package.</li> <li>▪ However, the information available to be accessed from the licensee's website only includes the RWS Information Brochure, the RWS Customer Service Charter and the Application Form for an RWS Connection.</li> <li>▪ Although the website informs customers that they can contact Harvey Water to request a 'Conditions of Connection' information pack, the information available on the licensee's website does not include the Conditions of Connection, Piping Policies or RWS Connection Agreement documents which include information related to the prescribed matters under this clause. As a result, the licensee is not fully compliant with the requirements of this clause.</li> <li>▪ We recommend that the licensee adds the Conditions of Connection, Piping Policies or RWS Connection Agreement documents to its website in order to meet the obligation.</li> </ul>		
<b>Minimum performance standards for standard water supply connections</b>	93	Clause 8	4	<ul style="list-style-type: none"> <li>▪ The licensee does not provide water supply services in accordance with the definition of a 'connection' included in</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NA

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.</p>				<p>this clause of the Code. Therefore, this obligation is not applicable.</p> <ul style="list-style-type: none"> <li>▪ As noted above, the Conditions of Connections note that “In general, while applications for connection can be received at any time of the year, the actual connections are only done during the winter irrigation off-season”.</li> <li>▪ Details of the date of new connection installations are included in the covering letter that the licensee sends to customers, dependent on the connections fees being paid by this date. Typically a new connection takes four weeks to implement.</li> </ul>		
<p><b>Bills other than for quantities supplied, discharged</b></p> <p>The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.</p>	94	Clause 9	4	<ul style="list-style-type: none"> <li>▪ The licensee charges its RWS customers a fixed fee on a per annum basis but spread out over three payments within the 12 month period. The payments are invoiced in July, September and December each year.</li> <li>▪ The non-quantity charge for the RWS customers covers the Asset Levy and the Access Charge. The Asset Levy fee is based on a per ML basis, while the Access Charge is calculated on a per connection basis.</li> <li>▪ The licensee also has a separate type of customer; By Law customers. These customers are located only in the Collie River Irrigation District. The fixed charges for the licensee’s By Law customers depends on the type of crop being grown or whether water is being used for stock or garden purposes. For stock and garden customers, the fixed charge is invoiced based on a per supply point basis. For crop growers, the charge is invoiced on a per hectare</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example invoices</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ 2016-17 Charges for By Law Customers</li> <li>▪ 2016-17 Charges for RWS Customers</li> <li>▪ 2016-17 Charges for Shareholders</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				basis. By Law Customers are invoiced annually in December. <ul style="list-style-type: none"> <li>For note, shareholders are charged non-quantity fixed amounts by both the SWIAC and SWIMCO cooperatives in July, September and December each year. The fixed charges cover the Asset levy, Development Levy, Dam Safety Charge and Water Storage, Shareholder customers on the pipeline schemes also pay Access Contribution charges.</li> </ul>		
<b>Bills for quantities supplied, discharged</b> The licensee must issue a bill for usage to each customer at least once in every 6 month period.	95	Clauses 10(2)	4	<ul style="list-style-type: none"> <li>The licensee issues bills to RWS and shareholder customers each month.</li> <li>Usage is charged on a per ML basis. Annual increases are generally in line with CPI (Consumer Price Index).</li> <li>Customers are informed of invoicing in the Customer Service Charter and the RWS Customer Service Charter.</li> <li>By Law Customers are not charged for usage, only a fixed annual charge for connection as the supply of water is no guaranteed for these customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example monthly invoices</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> <li>2016-17 Charges for By Law Customers</li> <li>2016-17 Charges for RWS Customers</li> <li>2016-17 Charges for Shareholders</li> </ul>	1
The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.	96	Clauses 10(3)	4	<ul style="list-style-type: none"> <li>The licensee's shareholder and RWS customers are billed based on meter readings for the water volume supplied.</li> <li>The irrigation customers use the Ordering System for Irrigation (OSI) to make their water orders. This can be done by either telephone or online. The customer inputs details of the date/time and volume requirements. A minimum of</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example monthly invoices</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>three days and no more than six days' notice must be provided by the irrigation customer. The licensee than works out the schedule to meet the requested demand in each system in order to work out the releases that need to be made from each dam. The details of the delivery are confirmed with the customer. The licensee controls the releases from the dams using the SCADA system. Although Water Corporation are the asset owner of the dams used as the licensee's water sources, the water in the dams is owned by the licensee.</p> <ul style="list-style-type: none"> <li>▪ Meter reads are completed after each water supply event for flood irrigators but only invoiced monthly. Other irrigator customers are invoiced monthly.</li> <li>▪ Approximately 70% of the licensee's meter fleet are fitted with data loggers which allow for the remote upload of consumption. Dethridge wheels in the channel system are manually read.</li> <li>▪ As noted above, the By Law customers are not charged for usage. These customers are considered opportunistic customers and can take water when they want but this is limited and the supply is not guaranteed. The By Law customers are required to have a minimum of 21 days onsite storage.</li> </ul>	<p>Service Charter, 2009 – 2011</p> <ul style="list-style-type: none"> <li>▪ 2016-17 Charges for By Law Customers</li> <li>▪ 2016-17 Charges for RWS Customers</li> <li>▪ 2016-17 Charges for Shareholders</li> <li>▪ Ordering System for Irrigation (OSI) water ordering system</li> <li>▪ BOB customer management system</li> </ul>	
<p>If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged.</p>	97	Clause 10(4)	4	<ul style="list-style-type: none"> <li>▪ Clause 10(4) requires the licensee to ensure that, if a bill is based on an estimate, the estimate is made in accordance with the regulations mentioned in section 222(2)(h) of the Act. However, at the present time there are currently no regulations applicable to the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NA

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				licensee which prescribe the basis for making an estimation. <ul style="list-style-type: none"> <li>As a result, this obligation has been rated as Not Applicable.</li> </ul>		
If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods.	98	Clause 10(5)	4	<ul style="list-style-type: none"> <li>Section 4.8 of the RWS Customer Service Charter informs customers that: "Where a meter is found to be recording incorrectly, we will estimate water consumption based on previous history for the period the water meter is found to be faulty".</li> <li>There is no information relating to estimation of water consumption in the Customer Service Charter for member customers. However, as noted previously, these customers are not covered under the Customer Code.</li> <li>However, the licensee considers that an inaccurate meter reading is a rare occurrence and cannot recall any events taking place during the audit period. Any issues with invoices are typically communicated by customers when they occur and essentially resolved at this time. As a result, we have not rated this obligation.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example monthly invoices</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> <li>2016-17 Charges for By Law Customers</li> <li>2016-17 Charges for RWS Customers</li> <li>2016-17 Charges for Shareholders</li> <li>Ordering System for Irrigation (OSI) water ordering system</li> <li>BOB customer management system</li> </ul>	NR
<b>Sending bills</b> The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address.	99	Clause 11	4	<ul style="list-style-type: none"> <li>The licensee sends bills to the address nominated by the customer. This does not need to be the location at which the water service is provided.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example monthly invoices</li> </ul>	1
Each bill must contain the prescribed information.	100	Clause 12(1)	4	<ul style="list-style-type: none"> <li>We reviewed examples of the invoices issued by the licensee to its RWS customers. We confirmed that the invoices include:</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>- the customer's name</li> <li>- the account number</li> <li>- the address of the place in respect of which the water service is provided</li> <li>- any other address nominated by the customer for sending of bills</li> <li>- the day on which the bill is issued</li> <li>- the charges payable</li> <li>- the water service or services for which the charges are payable</li> <li>- (the date when payment is due</li> <li>- the nature and amount of any applicable concession, discount or rebate</li> <li>- the amount of interest or fees charged for late payment of outstanding amounts</li> <li>- the amount of any arrears or credit standing to the customer's name</li> <li>- the options for payment that are available to the customer</li> <li>- a telephone number for account, payment and general enquiries.</li> <li>▪ However, the RWS invoices do not include:               <ul style="list-style-type: none"> <li>- the licensee's website address</li> <li>- contact details for account, payment and general enquiries for use by customers with hearing or speech impairment</li> <li>- a statement that the website contains information about estimates, meter reading and testing, complaints and review.</li> </ul> </li> <li>▪ We consider this to be a minor non-compliance in relation to the obligations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review of example monthly invoices</li> </ul>	

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				for the licensee's non-member customers. We recommend that the licensee reviews its invoice template for non-member customers and revises the information provided to include these omissions.		
Each bill for usage for a metered water service must, in addition to the requirements of clause 12(1), contain the specified information.	101	Clause 12(2)	4	<ul style="list-style-type: none"> <li>▪ We reviewed examples of the invoices issued by the licensee to its RWS customers. We confirmed that the invoices include:               <ul style="list-style-type: none"> <li>– the billing period</li> <li>– the 2 most recent dates on which the quantity of water supplied or the quantity of wastewater discharged was ascertained, whether by a meter reading or an estimate</li> <li>– if the bill was based on a meter reading, the total quantity of water supplied or the quantity of wastewater discharged according to the meter reading;</li> <li>– information, if available, about the customer's water usage compared with the customer's previous usage.</li> </ul> </li> <li>▪ However, the RWS invoices do not include:               <ul style="list-style-type: none"> <li>– (a) whether the bill was based on —                   <ul style="list-style-type: none"> <li>(i) a meter reading; or</li> <li>(ii) an estimate of the quantity of water supplied or the quantity of wastewater discharged</li> </ul> </li> <li>– the number of days to which the bill applies</li> </ul> </li> <li>▪ We consider this to be a minor non-compliance in relation to the obligations for the licensee's non-member customers. We recommend that the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example monthly invoices</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>licensee reviews its invoice template for non-member customers and revises the information provided to include these omissions.</p> <ul style="list-style-type: none"> <li>▪ We note that as no estimation of RWS customer consumption is considered to have been made during the audit period, we were not able to verify the information on the invoice when:               <ul style="list-style-type: none"> <li>– if the bill was based on an estimate, the total quantity of water supplied or the quantity of wastewater discharged according to the estimate.</li> </ul> </li> </ul>		
<p>Each bill for usage for a metered water service must, in addition to the requirements of clause 12(1), contain the specified information.</p>	102	Clause 12(3)	4	<ul style="list-style-type: none"> <li>▪ We reviewed examples of the invoices issued by the licensee to its RWS customers. However, we observed that the invoices do not include:               <ul style="list-style-type: none"> <li>– that the customer may request a meter reading and bill to determine outstanding charges for a period that is not the same as the usual billing cycle</li> <li>– that the customer may request a meter reading and revised bill if the customer disputes an estimate on which a bill is based and that if the customer so requests, information about the fees that apply</li> <li>– that the customer may request, in accordance with the regulations mentioned in section 79(3)(b), the testing of a meter and that if the customer so requests, information about the fees that apply and when the fees may be reimbursed in accordance with the regulations mentioned in section 79(3)(c)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example monthly invoices</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>– that the bill can be reviewed in accordance with the licensee’s review procedure mentioned in clause 18</li> <li>– that complaints about the provision of a water service by the licensee or a failure by the licensee to provide a water service can be made in accordance with the licensee’s complaints procedure mentioned in clause 35.</li> <li>▪ We consider this to be a minor non-compliance in relation to the obligations for the licensee’s non-member customers. We recommend that the licensee reviews its invoice template for non-member customers and revises the information provided to include these omissions.</li> <li>▪ We note that as no estimation of RWS customer consumption is considered to have been made during the audit period, we were not able to verify the information on the invoice related to:               <ul style="list-style-type: none"> <li>– if the bill was based on an estimate, that the licensee will tell the customer on request —                   <ul style="list-style-type: none"> <li>(i) the basis of the estimate; and</li> <li>(ii) the reason for the estimate</li> </ul> </li> </ul> </li> </ul>		
<b>Estimates: licensees’ obligations</b> If a bill is based on an estimate, the licensee must tell the customer on request the basis of the estimate and the reason for the estimate.	103	Clause 13(1)	4	<ul style="list-style-type: none"> <li>▪ Refer to the observations made for Obligation 98.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example monthly invoices</li> </ul>	NR
The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not	104	Clause 13(2)	4	<ul style="list-style-type: none"> <li>▪ The licensee cannot recall having to make any adjustments to a customer’s bill to take into account a previous estimate that was not considered to be</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example monthly invoices</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
reasonable having regard to a subsequent and accurate meter reading.				<p>reasonable during the audit period. The licensee would typically expect any issues with invoices to be communicated by customers when they occur and resolved at the time.</p> <ul style="list-style-type: none"> <li>▪ The licensee considers that inaccurate meter readings are a rare occurrence and cannot recall any events taking place during the audit period.</li> <li>▪ If a data logger on water meter is not set correctly it may have provided an invoice in the wrong units, which makes the adjustment a straightforward exercise of converting the consumption to the correct unit of measurement. Previous consumption history may be used if required but no examples during the audit period could be recalled by the licensee or found at audit.</li> <li>▪ After the January 2016 bush fires that impacted on the Waroona Irrigation District, the licensee waived water volumes that were deemed to have been used for firefighting purposes. However, this adjustment of the volumes to be invoiced was completed prior to the invoicing.</li> <li>▪ As a result of these observations and findings, and with no evidence of any estimated bills being found during the course of the audit, we have not been able to rate this obligation.</li> </ul>		
<p><b>Requested meter readings, revised bills: licensee's obligations</b></p> <p>The licensee must provide to the customer on request a meter reading and a bill in in the prescribed circumstances.</p>	105	Clause 14(1)	4	<ul style="list-style-type: none"> <li>▪ The licensee is able to provide meter reading information and a bill on request if required.</li> <li>▪ The invoices for consumption are provided to customers on a monthly basis.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example monthly invoices</li> <li>▪ RWS Customer Service Charter</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>▪ Member customers are provided with water summary information on their invoices, including details of the usage against their annual allocation and historic water use information.</li> <li>▪ The member customers are also able to access information on their remaining water allocation at any time through calling the water ordering telephone number or accessing this information online.</li> <li>▪ As a result of the introduction of data loggers, the licensee is looking at making more consumption data directly accessible to its customers. At the present time, approximately 70% of the licensee's meters are fitted with data loggers.</li> <li>▪ During the audit period, the licensee has received requests for meter readings from RWS customers moving from their property and invoiced them outside of the usual billing cycle. Therefore, the licensee has complied with the requirement under Clause 14(1)(a). The licensee does not recall having to read a meter or issue a revised bill to RWS customer as a result of a disputed estimate on a previous bill. Therefore, the requirement under Clause 14(1)(b) is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harvey Water Customer Service Charter</li> <li>▪ OSI System</li> </ul>	
<p><b>Leaks</b></p> <p>The licensee must have a publicly available written policy, standard or set of guidelines in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than</p>	106	Clause 15	4	<ul style="list-style-type: none"> <li>▪ The licensee has a policy for Leaking or Failure of Assets included in its Policy manual 2016-17. However, this document is an internal document and is not made publically available.</li> <li>▪ The information in the Leaking or Failure of Assets Policy notes that "The consumer's consumption will be checked</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
normal for the customer but is likely to have been wasted because of a leak.				<p>over time and if a significantly higher consumption can be noted, even though there was no change in water use patterns, then a mutually agreed discount will be applied to the volume which was used which was over average for that time of year".</p> <ul style="list-style-type: none"> <li>▪ The monthly invoicing, the water ordering system for members and the data loggers on approximately 70% of the licensee's customer water meters means that water loss due to leakage would be expected to be identified quickly.</li> <li>▪ Leakage in the assets downstream of the supply point is the customer's responsibility.</li> <li>▪ No information on the licensee's Leaking or Failure of Assets policy is included in the Harvey Water Piping Policies, Conditions of Connection, Connections Agreement or Customers Services Charter.</li> <li>▪ As the only information is in the internal Policy Manual and is not publically available, we consider that this is a minor non-compliance. We recommend that the licensee looks to include the details of the policy in one of its publically available documents.</li> </ul>	<p>Charter, January 2014</p> <ul style="list-style-type: none"> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Harvey Water Conditions of Connection</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Harvey Water Piping Policies</li> </ul>	
<p><b>Undercharging in bills</b></p> <p>The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12 month period ending on the day on which the licensee informed the customer of the undercharging.</p>	107	Clause 16(2)	4	<ul style="list-style-type: none"> <li>▪ No information related to the process for undercharging in bills is included in the Harvey Water Piping Policies, Conditions of Connection, Connections Agreement or Customers Services Charter.</li> <li>▪ The licensee cannot recall any examples of undercharging taking place during the audit period and none were observed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Sample of customer invoices</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>▪ As a result, we have not rated this obligation.</li> <li>▪ However, we recommend that the licensee reviews the information that is currently made available to its non-member customers and looks to provide more information on the processes related to estimation of consumption, and undercharging and overcharging of bills.</li> </ul>	<ul style="list-style-type: none"> <li>Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Harvey Water Conditions of Connection</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Harvey Water Piping Policies</li> </ul>	
<p>An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a repayment plan as specified in the code of conduct.</p>	108	Clause 16(3)	4	<ul style="list-style-type: none"> <li>▪ Refer to Obligation 107.</li> <li>▪ The licensee has experienced examples of missed invoices, where the customer has not been billed at the end of the month as part of the monthly billing cycle, resulting in the invoice being issued late, but the licensee could not recall a customer being undercharged during the audit period. No examples were identified during the course of the audit.</li> <li>▪ We confirmed that no complaints have been received from customer related to billing issues during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Sample of customer invoices</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Harvey Water Conditions of Connection</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Harvey Water Piping Policies</li> </ul>	NR



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The licensee must not charge interest or late payment fees on an undercharged amount.	109	Clause 16(4)	4	<ul style="list-style-type: none"> <li>▪ Refer to Obligation 107.</li> <li>▪ The licensee has experienced examples of missed invoices, where the customer has not been billed at the end of the month as part of the monthly billing cycle, resulting in the invoice being issued late, but the licensee could not recall a customer being undercharged during the audit period. No examples were identified during the course of the audit.</li> <li>▪ We confirmed that no complaints have been received from customer related to billing issues during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Sample of customer invoices</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Harvey Water Conditions of Connection</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Harvey Water Piping Policies</li> </ul>	NR
The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.	110	Clause 16(5)	4	<ul style="list-style-type: none"> <li>▪ Refer to Obligation 107.</li> <li>▪ The licensee has experienced examples of missed invoices, where the customer has not been billed at the end of the month as part of the monthly billing cycle, resulting in the invoice being issued late, but the licensee could not recall a customer being undercharged during the audit period. No examples were identified during the course of the audit.</li> <li>▪ We confirmed that no complaints have been received from customer related to billing issues during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Sample of customer invoices</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
					<ul style="list-style-type: none"> <li>Harvey Water Conditions of Connection</li> <li>Rural Water Service Connection Agreement</li> <li>Harvey Water Piping Policies</li> </ul>	
<b>Overcharging in bills</b> If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount.	111	Clause 17(1)	4	<ul style="list-style-type: none"> <li>If the licensee overcharges a customer, the customer's account is credited and a statement is sent to the customer.</li> <li>The licensee provided examples of overcharging and we were able to confirm that the customer was credited for the overdue amount and a corrected invoice issued. The examples related to data logger issues.</li> <li>The licensee uses a Meter Adjustment/Correction Request Form to document the corrections to the meter read and the amount to be invoiced as part of its process. Revisions of invoices require approval and sign-off by Water Services staff and Administrative staff.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Sample of monthly customer invoices</li> <li>Meter Adjustment/Correction Request Form</li> </ul>	1
The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.	112	Clause 17(2)	4	<ul style="list-style-type: none"> <li>If the licensee overcharges a customer, the customer's account is credited and a new invoice is issued with the correct amount.</li> <li>The licensee completes this action immediately on detection.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Sample of monthly customer invoices</li> <li>Meter Adjustment/Correction Request Form</li> </ul>	1
<b>Review of bills</b> The licensee must review a bill on the customer's request.	113	Clause 18(1)	4	<ul style="list-style-type: none"> <li>The licensee reviews bills when requested to by customers.</li> <li>This is typically performed in person at the licensee's offices at the time the request is made.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Sample of monthly customer invoices</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>▪ The licensee has very specific rules governing the fixed and variable components and the associated charges that make up each customer's invoice, and, as such, review of bills are considered to be very rare events.</li> <li>▪ As noted for Obligation 111, the licensee has reviewed a small number of bills for overcharging during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Meter Adjustment/Correction Request Form</li> </ul>	
<p>The license must have a written procedure for the review of a bill on the customer's request.</p>	<p>114</p>	<p>Clause 18(2)</p>	<p>4</p>	<ul style="list-style-type: none"> <li>▪ The licensee does not have a specific, separate written procedure for the review of a bill.</li> <li>▪ The licensee uses a Meter Adjustment/Correction Request Form to document the corrections to the meter read and the amount to be invoiced as part of its process. Revisions of invoices requires approval and sign-off by Water Services staff and Administrative staff.</li> <li>▪ As part of the review, the licensee prints hardcopy evidence and takes a photo of the meter to check if it has been read correctly.</li> <li>▪ Data loggers upload the water usage data into the licensee's BOB system, used for invoicing customers, and this assesses the average consumption and, in the case of a member customer, compares the year-to-date usage against the annual allocation. The BOB system is able to be used to show water usage trends for each customer and the checks that are carried out are completed prior to invoicing.</li> <li>▪ However, we note that no information is made publically available relating to a written procedure for the review of a bill on the customer's request. As such, we</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Sample of monthly customer invoices</li> <li>▪ Meter Adjustment/Correction Request Form</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Harvey Water Conditions of Connection</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Harvey Water Piping Policies</li> </ul>	<p>2</p>

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>consider that this is a minor non-compliance with the obligation.</p> <ul style="list-style-type: none"> <li>▪ For the non-member customers that the Code applies to, we recommend that the licensee provides step-by-step information on how the licensee investigates any faults with the infrastructure that is used as the basis for billing these customers and how the invoices will be processed during the investigation and rectification.</li> </ul>		
<p>The review procedure in clause 18(2) must include the specified information and be publicly available.</p>	<p>115</p>	<p>Clauses 18(3) and (6)</p>	<p>4</p>	<ul style="list-style-type: none"> <li>▪ As noted in the observations for Obligation 114, the licensee does not have a publically available procedure for the review of a bill. As a result, the licensee does not make the specified information publically available and we consider this is a minor non-compliance against this obligation.</li> <li>▪ As noted above, we recommend that for the non-member customers that the Code applies to, the licensee should provide step-by-step information on how the licensee investigates any faults with the infrastructure that is used as the basis for billing these customers and how the invoices will be processed during the investigation and rectification, including the information specified in these clauses of the Code.</li> <li>▪ As noted previously, the licensee has very specific rules governing the fixed and variable components and the associated charges that make up each customer type's invoice, review of bills are considered to be very rare events.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Sample of monthly customer invoices</li> <li>▪ Meter Adjustment/Correction Request Form</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Harvey Water Conditions of Connection</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Harvey Water Piping Policies</li> </ul>	<p>2</p>

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act.	116	Clause 18(4)	4	<ul style="list-style-type: none"> <li>▪ Refer to the observations and recommendations made for Obligations 114 and 115.</li> <li>▪ We note that although both the Harvey Water and RWS Customer Charters includes a section on Customer Contact that outlines the processes for dealing with complaints, the licensee has referenced and included the contact details for referring complaints to the Department of Water. This information is now out of date and we recommend that the reference and the contact details included in the two Customer Service Charters should be updated to provide the details of the Energy and Water Ombudsman.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Sample of monthly customer invoices</li> <li>▪ Meter Adjustment/Correction Request Form</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Harvey Water Conditions of Connection</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Harvey Water Piping Policies</li> </ul>	2
The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.	117	Clause 18(5)	4	<ul style="list-style-type: none"> <li>▪ As noted for Obligation 111, the licensee has reviewed a small number of bills for overcharging during the audit period.</li> <li>▪ The licensee has very specific rules governing the fixed and variable components and the associated charges that make up each customer's invoice, and, as such, review of bills are considered to be very rare events.</li> <li>▪ The licensee reviews bills when requested by customers. This is typically performed in person at the licensee's offices at the time the request is made.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Sample of monthly customer invoices</li> <li>▪ Meter Adjustment/Correction Request Form</li> <li>▪ Harvey Water Policy Manual 2016-17</li> <li>▪ Harvey Water Customer Service</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>The licensee considers that it would inform customers of the outcome of the review of bills within the 15 business days requirement if the matter could not be resolved at the time.</p> <ul style="list-style-type: none"> <li>The licensee provided examples of overcharging and we were able to confirm that the customer was credited for the overdue amount and a corrected invoice issued within 15 business days of the licensee being informed of the error.</li> </ul>	<p>Charter, January 2014</p> <ul style="list-style-type: none"> <li>RWS Customer Service Charter, 2009 – 2011</li> </ul>	
<p><b>When payment due if not set under regulations</b></p> <p>The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.</p>	118	Clause 20	4	<ul style="list-style-type: none"> <li>The licensee requires payments of its bills within 30 days of issue.</li> <li>We confirmed this is included on the licensee's invoice template.</li> <li>The licensee has a Trading Terms – Debtors policy includes in its Policy Manual that sets out its policies and procedures for managing customer bills and debtors.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example invoices</li> <li>Trading Terms – Debtors Policy</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> </ul>	1
<p><b>Payment methods</b></p> <p>The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.</p>	119	Clause 21(1)	4	<ul style="list-style-type: none"> <li>The Licensee does not accept payments by all the prescribed methods under Clause 21(1) of the Code.</li> <li>Although customers can pay by phone, post, direct transfer, and in person, the licensee does not accept payments by direct debit or Centrepay.</li> <li>Customer Billing is covered in Section 4 of the Harvey Water Customer Services Charter and Section 5 of the RWS Customer Service Charter. Additionally, both Charters include further information in the 'What We Ask In Return' section.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example invoices</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>However, this information does not include the payment methods available to the customers, and this information is included on the back of each bill.</p> <ul style="list-style-type: none"> <li>▪ Customers can pay by cheque either through the post or at the licensee's front counter. Cash payments and EFTPOS (Electronic Funds Transfer at Point Of Sale) payments are accepted at the licensee's front counter.</li> <li>▪ The licensee allow customers to pay by credit card over the phone or at the front counter.</li> <li>▪ Electronic transfers are accepted but the licensee does not facilitate direct debit payments.</li> <li>▪ The majority of the licensee's customers pay by EFT (Electronic Funds Transfer) payments. The details of the licensee's bank account are included on each of the invoices received by customers. This allows customers to pay via internet banking.</li> <li>▪ Under the <i>Water Services Act 2012</i> definition, a customer is 'a person to whom water services are provided by the licensee or who is entitled to the provision of water services by the licensee, other than a person who is a member of the licensee'.</li> <li>▪ Therefore, the licensee does not have to make these payment methods available to its member customers but does to its non-member customers.</li> <li>▪ As a result the licensee is not in compliance with all of the payment method requirements included in the</li> </ul>		

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				Code, with regard to its non-member customers. <ul style="list-style-type: none"> <li>We are required under the audit guidelines to recommend that the licensee address the observed non-compliance and provide direct debit and Centrepay options for payment from non-member customers.</li> <li>We note, however, that it may be impractical for the licensee to do so given the type of business operated by the licensee and the order of magnitude of the invoices that customers pay.</li> <li>The licensee has a relatively small customer base and the fees associated with the implementation of a direct debit payments may not make this a financially viable option for the licensee. Centrepay is unlikely to be an appropriate payment method for an irrigation business.</li> </ul>		
The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered.	120	Clause 21(2)	4	<ul style="list-style-type: none"> <li>The license does not apply any additional fees and charges to different payment methods.</li> <li>We confirmed that the invoices provide information on additional fees for late payments but that there are no surcharges or additional fees for the different payment methods offered by the licensee.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example invoices</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> </ul>	1
<b>Consent for direct debits</b> Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of	121	Clause 22	4	<ul style="list-style-type: none"> <li>As noted in the observations made for Obligation 119, the licensee does not allow customers to pay a bill using direct debit.</li> <li>Under the <i>Water Services Act 2012</i> definition, a customer is 'a person to</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example invoices</li> <li>Harvey Water Customer Service</li> </ul>	2



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
the customer or an adult person nominated by the customer, to do so.				<p>whom water services are provided by the licensee or who is entitled to the provision of water services by the licensee, other than a person who is a member of the licensee’.</p> <ul style="list-style-type: none"> <li>▪ Therefore, the licensee does not have to make all of the prescribed payment methods available to its member customers but does to its non-member customers.</li> <li>▪ As a result the licensee is not in compliance with all of the payment method requirements included in the Code, with regard to its non-member customers.</li> <li>▪ We are required under the audit guidelines to recommend that the licensee address the observed non-compliance and provide a direct debit option for payment for non-member customers.</li> <li>▪ We note, however, that it may be impractical for the licensee to do so, given the type of business operated by the licensee and the order of magnitude of the invoices that customers pay.</li> <li>▪ The licensee has a very small customer base and the fees associated with the implementation of a direct debit payments may not make this a financially viable option for the licensee.</li> </ul>	<p>Charter, January 2014</p> <ul style="list-style-type: none"> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> </ul>	
<p><b>Payment in advance</b></p> <p>The licensee must accept payment in advance from a customer on a customer's request.</p>	122	Clause 23(1)	4	<ul style="list-style-type: none"> <li>▪ The licensee accepts payment in advance from customers. Any advance payments sit as a credit against the customer's account until this amount is required to pay the subsequent invoices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example invoices</li> <li>▪ OSI and BOB water ordering and</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
					customer billing systems	
<b>Free redirection in absence, illness</b> The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	123	Clause 24	4	<ul style="list-style-type: none"> <li>▪ The licensee is able to redirect customer's bills on request and at no charge.</li> <li>▪ Any requests for changes have to be provided in writing to allow the changes to be made in the licensee's billing system. However, no confirmation from the third party receiving the redirected invoices is required to be submitted.</li> <li>▪ The licensee does not require reasons to be provided by the customer for a redirection of bills and so cannot be certain whether any redirections were for customer absence or illness. As a result, we have not rated this obligation.</li> <li>▪ The licensee has received a small number of requests for free redirection during the audit period.</li> <li>▪ We recommend that the licensee reviews its current processes to ascertain whether requiring third party confirmation for redirection of bills would be appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NR
<b>Assistance for customers experiencing payment difficulties</b> The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is assessed by the licensee as experiencing payment difficulties.	124	Clause 25	4	<ul style="list-style-type: none"> <li>▪ The licensee allows customers to pay bills under a payment plan or other arrangement.</li> <li>▪ The licensee has a Trading Terms - Debtors Policy which sets out the financial management for customer billing.</li> <li>▪ Section 3 in the 'What We Ask In Return' section in both the Harvey Water Customer Service Charter and the RWS Customer Service Charter informs customers 'Let us know before the due</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example invoices</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>date if you are having any difficulty in paying any amounts charged so that we may work with you to set up an agreed payment plan'.</p> <ul style="list-style-type: none"> <li>▪ The licensee stops charging overdue fees when a customer enters into a payment plan.</li> <li>▪ At the time of the audit, 44 irrigator customers and 5 RWS customers were on payment plans. The licensee has a spreadsheet to manage and track the payment plan customers. A separate worksheet is created for each customer to calculate the payment amount required. The fixed component of each customer's invoice is known and the licensee uses the previous year's consumption to estimate the volumetric charge that the customer is expected to be invoiced for. The payment arrangements are reviewed in January/February each year to check the consumption component and assess whether the payment arrangement that has been set up is still appropriate.</li> <li>▪ Some customers are known to be on payment arrangements to better manage their own cashflow rather than for debt reasons.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Trading Terms – Debtors Policy</li> <li>▪ Payment Arrangements Spreadsheet</li> </ul>	
<p><b>Financial hardship policy</b> The licensee must have a written policy in relation to financial hardship that is approved by the ERA.</p>	125	Clauses 26(1) and (2)	4	<ul style="list-style-type: none"> <li>▪ The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 17 July 2014.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Correspondence with ERA</li> </ul>	NA
<p>If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month</p>	126	Clause 26(3)	4	<ul style="list-style-type: none"> <li>▪ The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 17 July 2014.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Correspondence with ERA</li> </ul>	NA

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
period starting on the day on which section 27 of the Act comes into effect.						
If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.	127	Clause 26(4)	4	<ul style="list-style-type: none"> <li>The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 17 July 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>	NA
The licensee's financial hardship policy must be publicly available.	128	Clause 26(5)	4	<ul style="list-style-type: none"> <li>The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 17 July 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>	NA
The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.	129	Clauses 26(6)	4	<ul style="list-style-type: none"> <li>The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 17 July 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>	NA
<b>Assistance for customers experiencing financial hardship</b> The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.	130	Clause 27(2)	4	<ul style="list-style-type: none"> <li>The RWS is a non-potable supply provided to non-irrigators as a garden and stock supply. These customers are typically residential customers in that the supply is being used within their property boundary but not as the potable water source being used within the dwelling. As such, we consider that the definition for this obligation applies to the RWS customers.</li> <li>Section 3 in the 'What We Ask In Return' section in both the Harvey Water Customer Service Charter and the RWS Customer Service Charter informs customers 'Let us know before the due date if you are having any difficulty in paying any amounts charged so that we may work with you to set up an agreed payment plan'.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of example invoices</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> <li>Trading Terms – Debtors Policy</li> <li>Payment Arrangements Spreadsheet</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>▪ The licensee stops charging overdue fees when a customer enters into a payment plan.</li> <li>▪ However, we note that this policy is not set out in the Trading Terms - Debtors Policy and recommend that the licensee adds additional text to specify that a payment arrangement does not incur interest or additional fees if the customer makes their payment in full and on time. Payment plans are not advertised on the non-member invoices and we recommend that this information is added. We would also recommend that additional text is added to the Customer Billing section on the Customer Service Charters to inform customers of these matters.</li> </ul>		
<p>The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer.</p>	131	Clause 27(3)	4	<ul style="list-style-type: none"> <li>▪ As noted above, the licensee has a Trading Terms - Debtors Policy which sets out the financial management for customer billing. Debt write-off delegations are included in the Financial and Purchasing Delegations Policy.</li> <li>▪ The licensee may consider writing off amounts owed to it in certain circumstances. Approval for writing off amounts owed would have to be given by the Board to make.</li> <li>▪ A reconciliation of water consumption used for firefighting purposes in the January 2016 bushfires was completed by the licensee during the audit period, but this was completed prior to invoicing.</li> <li>▪ In addition, an amount was written-off during the audit period resulting from a tenant customer leaving their property and subsequently declaring bankruptcy. As the amount owed was in the region of</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Trading Terms – Debtors Policy</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>\$500, the costs associated with chasing the debt did not make it a financially viable option.</p> <ul style="list-style-type: none"> <li>▪ However, no residential customers were deemed to have been in financial hardship. The licensee has not reduced the amount owed by any customers, reviewed or revised how a customer has paid their bill under Clause 27(2) or provided written information to the customer in accordance with 27(3)(c) during the audit period.</li> <li>▪ As a result, this obligation has not been rated.</li> </ul>		
<p><b>Matters relating to customers experiencing payment difficulties or financial hardship</b></p> <p>Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.</p>	132	Clause 28(1)	4	<ul style="list-style-type: none"> <li>▪ As noted above, the licensee has a Trading Terms - Debtors Policy which sets out the financial management for customer billing.</li> <li>▪ Although the policy defines the course of debt management actions, it does not include any actions to inform the land owner of any payment arrangements entered into by the tenant or of any late payments incurred by a customer who is not the owner of the land.</li> <li>▪ However, the licensee does not inform the owners of the land regarding matters relating to tenant customers experiencing payment difficulties or financial hardship. This is because the licensee consider that the onus is on the land owner to inform the licensee if the property has been leased.</li> <li>▪ We recommend that the licensee develops a process and includes information related to this obligation for informing the owners of the land for RWS</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Trading Terms – Debtors Policy</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>tenant customers in the Trading Terms – Debtors Policy.</p> <ul style="list-style-type: none"> <li>▪ The licensee considers that it has not encountered this problem and would probably deem it a breach of confidentiality to discuss a Customers status with a third party even if the third party is the landlord. The licensee will be undertaking a broader review of lease arrangements to be completed by June 2018.</li> <li>▪ During the audit period, the licensee has not had any instances of a tenant who has access to an RWS supply point that has had a payment plan or debt. Therefore, this obligation has not been rated.</li> </ul>		
The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.	133	Clauses 28(4) and (5)	4	<ul style="list-style-type: none"> <li>▪ Information regarding the payment plans, arrangements and other assistance that is available to customers is provided in the Customer Charters. However, we note that this information is not included on the back of the customer invoices sent out to customers.</li> <li>▪ As a result, we recommend that the licensee informs customers regarding payment plans, arrangements and other assistance that may be available to them on the back of the invoices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example invoices</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Trading Terms – Debtors Policy</li> </ul>	1
<p><b>No debt collection in certain cases</b></p> <p>The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment</p>	134	Clause 29	4	<ul style="list-style-type: none"> <li>▪ The licensee does not collect debts where a customer is in a payment arrangement. This is specified in the Trading Terms - Debtors Policy ('If a customer defaults on their payment agreement the AO must follow the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example invoices</li> <li>▪ Harvey Water Customer Service</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
difficulties or who is being assessed for financial hardship.				procedure outlined above for handling debtors').	Charter, January 2014 <ul style="list-style-type: none"> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Trading Terms – Debtors Policy</li> </ul>	
<b>Water flow not to be reduced below minimum rate</b> The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.	139	Clause 33	4	<ul style="list-style-type: none"> <li>▪ The licensee does not provide a potable water supply service. Therefore this obligation is not applicable.</li> <li>▪ However, the licensee can and does restrict flow to customers for no-payment of bills. If the customer is a livestock owner, the flow is reduced to provide trough water but this would not be sufficient to allow for any crop irrigation. For member customers, the licensee also prohibits the customer from ordering water for irrigation purposes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Rural Water Service Connection Agreement</li> <li>▪ Rules of South West Irrigation Management Cooperative Limited</li> </ul>	NA
<b>Minimum performance standards for restoration of water supply</b> The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.	142	Clauses 34(4)	4	<ul style="list-style-type: none"> <li>▪ The licensee does not provide a potable water supply service. Therefore this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NA
The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.	144	Clauses 34(6)	4	<ul style="list-style-type: none"> <li>▪ The licensee does not provide a potable water supply service. Therefore this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NA
<b>Procedure for dealing with complaints about water services</b>	145	Clauses 35(1)	4	<ul style="list-style-type: none"> <li>▪ The Customer Contact sections of both the Harvey Water Customer Service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	1



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service.</p>				<p>Charter (Section 5) and the RWS Customer Service Charter (Section 6) inform customers of their ability to lodge a complaint.</p> <ul style="list-style-type: none"> <li>▪ The Customer Charters also inform customers of the ability to escalate a complaint to the licensee's Disputes Committee and details for external escalation.</li> <li>▪ The licensee has a specific Procedures for Customer Complainants Process and Reporting document that sets out the processes and procedures for recording and resolving complaints, provides information on the designated complaint handling officers and also sets out the complaint register reporting processes.</li> <li>▪ Although complaints may be made in writing, by telephone, in person at the licensee's office by email, we note that the licensee's procedure document only references written complaints. We recommend that the licensee revises the procedure to include references to complaints received through other medium.</li> <li>▪ The licensee maintains an Excel spreadsheet register for tracking complaints. The register records the complaint number, date received, due date, customer details, a summary of the issue, the responsible officer and area, the actions carried out to resolve the complaint and details of who actioned them.</li> <li>▪ As the licensee is a cooperative, and the majority of its customers are members who are shareholders in the business, issues are generally discussed with</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Rules of South West Irrigation Management Cooperative Limited</li> <li>▪ Rules of South West Irrigation Asset Cooperative Limited</li> <li>▪ Procedures for Customer Complaints Process and reporting</li> <li>▪ Complaints Register spreadsheet</li> </ul>	

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>customers before they are raised to a formal complaint. Generally when complaints are made it is because they have reached a high level complaint and need an action to be completed to be addressed. Complaints are taken to the Board if required.</p> <ul style="list-style-type: none"> <li>▪ The licensee has a Disputes Panel and Committee that complaints can be escalated to if they cannot be resolved by the licensee. The Disputes panel is elected by member customers of the cooperative. The process for resolution of disputes is also covered in the Rules of the South West Irrigation Management Cooperative and the Rules of the South West Asset Cooperative. No complaints have been escalated to the Disputes Committee during the audit period.</li> <li>▪ The licensee usually receives a small number of complaints each year.</li> <li>▪ We reviewed the licensee's complaints register and confirmed that it received one complaint in 2013/14 and one complaint in 2015/16, both for pressure issues. No complaints were received during 2014/15 and none have been received so far during 2016/17. We reviewed the two complaints that have been received by the licensee during the audit period and confirmed that both complaints received were responded to within fifteen business days.</li> </ul>		
<p>The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the ERA's guidelines (if any).</p>	146	Clause 35(2)	4	<ul style="list-style-type: none"> <li>▪ The main components of a complaints procedure under AS ISO1002-2006 (now superseded by the 2014 version) are:               <ul style="list-style-type: none"> <li>– Commitment</li> <li>– Supporting policy and procedures</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with license staff</li> <li>▪ Harvey Water Customer Service</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>– Defined responsibilities</li> <li>– Staff awareness</li> <li>▪ As noted previously the licensee has a specific Procedures for Customer Complainants Process and Reporting document that sets out the processes and procedures for recording and resolving complaints, provides information on the designated complaint handling officers and also sets out the complaint register reporting processes.</li> <li>▪ Although these processes were not developed using the Standard, we consider that the information that forms the licensee’s procedure is essentially in accordance with the AS 10002-2014 guidance, as follows:               <ul style="list-style-type: none"> <li>– Commitment is shown in the approval and sign-off procedures. All complaints are included in the monthly report to the Board</li> <li>– Supporting policy and procedure is provided in the links to the forms, registers and other documentation</li> <li>– Defined responsibilities and staff awareness are outlined in Section 1.2 of the procedure, which outlines the designated complaint handling officers and also in the reporting of all customer complaints to the Board each month.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Rules of South West Irrigation Management Cooperative Limited</li> <li>▪ Rules of South West Irrigation Asset Cooperative Limited</li> <li>▪ Procedures for Customer Complaints Process and reporting</li> <li>▪ Complaints Register spreadsheet</li> </ul>	
The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.	147	Clauses 35(3)	4	<ul style="list-style-type: none"> <li>▪ The information provided in the Customer Contact sections of Harvey Water and RWS Customer Service Charters address all of the matters under this obligation. This includes how complaints are lodged and recorded, time limits for responding to complaints,</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with license staff</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				dispute resolution arrangements and resolving a complaint within 15 business days. <ul style="list-style-type: none"> <li>Customers are able to refer complaints to the Board if they are not satisfied with the licensee's management response. If the customer is not satisfied with the Board response, the complaint can be escalated to the Disputes Committee. However, no complaints have ever been escalated to the Disputes Committee in the time it has existed.</li> <li>We confirmed that the licensee has resolved all complaints received in the applicable audit period within 15 business days.</li> </ul>	<ul style="list-style-type: none"> <li>RWS Customer Service Charter, 2009 – 2011</li> <li>Rules of South West Irrigation Management Cooperative Limited</li> <li>Rules of South West Irrigation Asset Cooperative Limited</li> <li>Procedures for Customer Complaints Process and reporting</li> <li>Complaints Register spreadsheet</li> </ul>	
The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.	148	Clauses 35(4)	4	<ul style="list-style-type: none"> <li>The information provided in the Customer Contact sections of Harvey Water and RWS Customer Service Charters address some of the matters under this obligation.</li> <li>However, we note that the Customer Charters both provide reference to and the contact details for the Department of Water. The Energy and Water Ombudsman Western Australia is now responsible for this function. Therefore, we recommend that that the licensee revises both of its Customer Service Charters to remove the details relating to the Department of Water and replace them with the details of the Energy and Water Ombudsman Western Australia.</li> <li>We also note that the information provided to the non-member RWS customers in the RWS Customer Service Charter does not provide these customers with details of procedures under the Act, and set out the costs and</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with license staff</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> <li>Rules of South West Irrigation Management Cooperative Limited</li> <li>Rules of South West Irrigation Asset Cooperative Limited</li> <li>Procedures for Customer Complaints Process and reporting</li> <li>Complaints Register spreadsheet</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>benefits to the customer if they use the complaint resolution procedure instead of the procedures under the Act. We consider that these omissions represent a non-compliance with the obligation for its non-member customers.</p> <ul style="list-style-type: none"> <li>▪ We recommend that the licensee reviews its Customer Service Charters and revises at least the RWS Customer Service Charter to be in accordance with the requirements under this obligation.</li> </ul>		
The licensee's complaints procedure must be publicly available.	149	Clause 35(6)	4	<ul style="list-style-type: none"> <li>▪ The licensee's Procedures for Customer Complaints Process and Reporting is an internal document.</li> <li>▪ As noted above, an overview of the procedures key points that are relevant to customers is included in the information provided in the Harvey Water and RWS Customer Service Charters. These documents are publically available.</li> <li>▪ The licensee also includes the disputes process in the Rules of the South West Irrigation Management Cooperative and the Rules of the South West Asset Cooperative. Both of these documents are available to customers and can be downloaded from the licensee's website.</li> <li>▪ However, Clause 35(6) requires the licensee's complaints procedure to publically available and the information made available by the licensee does not meet the requirements of the obligation. This is a minor non-compliance. We recommend that the licensee makes its complaints procedure publically available.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with license staff</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Rules of South West Irrigation Management Cooperative Limited</li> <li>▪ Rules of South West Irrigation Asset Cooperative Limited</li> <li>▪ Procedures for Customer Complaints Process and Reporting</li> <li>▪ Complaints Register spreadsheet</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p><b>Services to be provided without charge</b>                      The licensee must provide a customer with the specified services on request and at no charge.</p>	150	Clause 36(1)	4	<ul style="list-style-type: none"> <li>▪ The licensee has not received any requests from its non-member customers for the service required to be provided without charge under Clause 36(1).</li> <li>▪ As a result, we have not rated this obligation. The licensee considers that if they were asked to provide them by a customer, they would ensure that the request was completed and at no charge to the customer.</li> <li>▪ However, we note that the licensee does not advertise the specified services required under this obligation as being available to customers.</li> <li>▪ Under the definitions of the <i>Water Act 2012</i>, the requirement to provide these services only applies to the RWS and By Law customers. Therefore, we recommend that the licensee looks to advertise these specific services in the next update of RWS Customer Service Charter and information that it provides to its By Law customers. This information could also be provided on the back of customer invoices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NR
<p>The licensee must provide a customer with the specified services on request and at no charge.</p>	151	Clause 36(1)	4	<ul style="list-style-type: none"> <li>▪ Repeat of Compliance Manual Reference No. 150</li> </ul>		
<p>The licensee must make available to each customer the customer's personal account information.</p>	152	Clause 36(2)	4	<ul style="list-style-type: none"> <li>▪ The licensee provides personal account information to member and RWS customers as part of their monthly invoice. This includes information on the customer's account contact details, previous consumption and billing information.</li> <li>▪ Member customers are also able to log into the telephone/online water ordering system at any time to access their</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Example of customer invoices</li> <li>▪ OSI system</li> <li>▪ BOB System</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				account information. The member customers have to input a pin number to access their account and can access information on their allocation for the year and details for previous water orders.		
<b>Information to be publicly available</b> The licensee must make the prescribed information publicly available.	153	Clause 37(1)	4	<ul style="list-style-type: none"> <li>▪ The licensee makes the required information publically available as follows:                             <ul style="list-style-type: none"> <li>a) Current fees and charges are publically available on the licensee's website. This information is also included in the connection pack sent to new customers. New fee and charge information is posted/emailed to customers every year.</li> <li>b) Bill payment methods are available on the customer's invoices. As noted previously, the licensee does not accept direct debits or Centrepay payments. No additional charges are incurred by customers for any of the available payment methods. Bill payment methods are not included on the licensee's website in accordance with the definition of 'publically available'. We recommend that the licensee adds this information to its website.</li> <li>c) The licensee has exemptions, rebates, and discounts available to its RWS customers. The available discounts are listed on the Charges for Rural Water Service Customers sheet send to customers each year. The current year charges are also able to be downloaded from the licensee's website.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Rules of South West Irrigation Management Cooperative Limited</li> <li>▪ Rules of South West Irrigation Asset Cooperative Limited</li> <li>▪ Example of customer invoices</li> <li>▪ Examples of Reminder Notices</li> <li>▪ RWS Connections Agreements</li> <li>▪ Examples of 'Furphy'</li> <li>▪ Newsletters</li> <li>▪ Examples of AGM Minutes</li> <li>▪ Harvey Water Annual Reports</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>d) As noted above, the licensee does not advertise the services provided under clause 36 of the Code. We recommend that the licensee advertises these services as being available in its next update of the RWS Customer Service Charter, which is available on the licensee's website, so that the non-member customers are aware of them.</p> <p>e) Authorised person powers are not applicable as the licensee has not authorised any persons under the Water Services Act.</p> <p>f) Customers are made aware of their general obligations to ensure that access to a meter is available in 'What We Ask In Return' sections of the Harvey Water and RWS Customer Service Charters. The Charters are available to be downloaded from the licensee's website. The information is not specific to meters but relates to the licensee's infrastructure and irrigation assets. Meters are generally located in proximity to the customer's boundary and access is not considered to be an issue. As noted previously, approximately 70% of the licensee's meters are currently fitted with data loggers which has minimised the access requirements to read the meters.</p> <p>g) Information related to the licensee cutting off water supply or reducing the rate of supply is included in the Trader Terms – Debtors policy, in the reminder notices issues to customers for late payment of invoices and also</p>	<ul style="list-style-type: none"> <li>▪ Examples of planned interruption customer notices</li> </ul>	



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>in the terms and conditions included in the RWS Connection Agreements (Section 6 – Defaults). However, as neither of these documents is available to customers via the licensee’s website, the licensee has not complied with the requirement for this information to be publically available. We recommend that the licensee uploads this information to its website to be complaint with the obligation.</p> <p>h) As for Part (g).</p> <p>i) This information is not applicable as the licensee does not supply dwellings.</p> <p>j) The quality of water is not specifically provided to all customers, however, it is made available on request to some certain growers. Salinity Levels for the water supplied from the Wellington Dam, Burekup Weir and Harvey Dam is readily available to all customers from the licensee’s website and updated monthly. Any specific water quality issues would be expected to be included in the licensee’s regular newsletter and covered at the AGM. General water quality issues, particularly those relating to salinity in the water sourced from the Wellington Dam have been summarised in the Annual Reports during the audit period.</p> <p>k) Information on the sustainable use of water is referenced in ‘What We Ask In Return’ sections of the Harvey Water and RWS Customer Charters. The RWS Charter is able to be</p>		

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				<p>downloaded from the licensee's website. The information included in the irrigator member's Charter provides additional information related to irrigation practices and especially in relation to the customers in the Collie River Irrigation District who receive their water through an open channel system. Specific information is covered in the newsletters and/or discussed at the AGM if required. The licensee publically meets with the irrigation customers twice each year. The licensee also works in conjunction with the local agricultural college for research projects and crop trials related to improving irrigation practices.</p> <p>l) As noted previously, the licensee provides confirmation of planned interruption via a formal notice at least five days in advance. The licensee informs customers of unplanned interruptions as soon as they eventuate. Planned interruptions are generally delayed until outside of the growing season.</p>		
<p>The licensee must ensure that the specified information about bill may be obtained from its website.</p>	<p>154</p>	<p>Clause 12 [clause 37(2)]</p>	<p>4</p>	<ul style="list-style-type: none"> <li>▪ The information required under this obligation is not available from the licensee's website. This is a non-compliance. We recommend that the licensee makes the information related to estimated bills, customer requests for meter reads, meter testing and the review and complaints procedure requirements under this clause available on its website in order to comply with the obligation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example monthly invoices</li> </ul>	<p>2</p>

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The licensee must comply with a direction from the ERA in relation to a breach of applicable legislation.	159	Clause 3.1.2	4	<ul style="list-style-type: none"> <li>The licensee has not received any directions from the ERA in relation to a breach of applicable legislation and therefore this obligation is not rateable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with the ERA</li> </ul>	NR
The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	2014/157	Clause 5.2	4	<ul style="list-style-type: none"> <li>Refer to observations detailed in Compliance Manual Reference 10.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	2014/158	Clause 5.3	4	<ul style="list-style-type: none"> <li>Refer to observations detailed in Compliance Manual Reference 11.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	2
<b>Fees (Clause 3.2)</b>						
The licensee must pay the applicable fees and charges in accordance with the applicable regulations.	155	Clause 3.2.1	5	<ul style="list-style-type: none"> <li>The licensee pays an annual fee, annual standing charges and an annual licence fee to the ERA (as per Schedule 4 of the Water Service Regulations 2013). We reviewed the correspondence with the ERA during the audit period and the remittance documents for each payment in the audit period and confirmed that the fees have been correctly paid.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with the ERA</li> <li>Invoice Remittance documents</li> </ul>	1
<b>Provision of Water Services (Clause 3.3)</b>						
The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	1	Section 21(1)(a)	5	<ul style="list-style-type: none"> <li>The licensee provides irrigation services and non-potable water services under the <i>Water Services Act</i>.</li> <li>However, RWS customers, as well as By-Law customers, are not persons "entitled to the service under the Act".</li> <li>Section 73 of the Act sets out which persons are entitled to water services. Section 73 provides "the owner of land in respect of which statutory water service charges apply for the provision of a water</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> <li>Rules of South West Irrigation</li> </ul>	NA

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>service by a licensee is entitled to the provision of a water services”.</p> <ul style="list-style-type: none"> <li>“Statutory water service charge” is defined in section 71 as “a water service charge payable under the regulations”. There are currently no regulations made under the <i>Water Services Act 2012</i> which prescribe charges which must be paid by land owners to Harvey Water.</li> <li>Statutory charges generally apply to water and sewerage services, where a customer must pay a charge if they are located within a certain distance of a licensee’s water supply works. As these charges apply regardless of whether the customer is connected or not, the customer is, in turn, entitled to the service.</li> <li>As a result, this obligation is not applicable to the licensee.</li> </ul>	<ul style="list-style-type: none"> <li>Management Cooperative Limited</li> <li>Rules of South West Irrigation Asset Cooperative Limited</li> <li>Harvey Water Piping Policies</li> <li>Rural Water Service Connection Agreement</li> <li>Conditions of Connections</li> <li>Review of operating area map</li> <li>Inspection of assets</li> </ul>	
The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	2	Section 21(1)(b)	4	<ul style="list-style-type: none"> <li>A noted previously, the licensee, has three different types of customer; members, who are shareholders in the Cooperative, Rural Water Service customers (who receive their water via a subsidiary company of Harvey Water), and By Law customers. By Law customers are considered opportunistic customers and the water supply service provided to them is not guaranteed.</li> <li>The conditions for connection are different for the different customer types and for the member customers and RWS customers, these are outlined in the two separate Customer Service Charters, one for each of the main customer types. Conditions of Connection, the Harvey Water Piping Policies and the</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Harvey Water Customer Service Charter, January 2014</li> <li>RWS Customer Service Charter, 2009 – 2011</li> <li>Rules of South West Irrigation Management Cooperative Limited</li> <li>Rules of South West Irrigation Asset Cooperative Limited</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>Connection Agreement provide further details and obligations.</p> <ul style="list-style-type: none"> <li>▪ The water service charges are determined annually and approved by the Board (which is made up from member customers) as part of the budgeting process. The licensee determines reasonable charges based on its costs to operate the system.</li> <li>▪ The South West Irrigation Asset Cooperative (SWIAC), the asset owner, charges members an Asset Levy on a per share basis and an Asset Contribution charge for irrigators supplied by pipeline on a per connection basis. The South West Irrigation Management Cooperative (SWIMCO) charges member customers a Development Levy, a Water Storage Charge and a Dam Safety Charge on a per share basis and an Asset Contribution charge for irrigators supplied by pipeline on a per connection basis.</li> <li>▪ Rural Water Service Customers are charged an Asset Levy on a per Megalitre basis and an Access Charge on a per connection basis. By Law Customers are charged a fixed component on a per supply point basis if they require the water supply for stock and/or garden purpose or on a per hectare basis if they use the water for crops. The licensee manages the assets under contract to SWIAC.</li> <li>▪ The variable components for water consumption are charged to members and RWS customers on a volumetric basis. The By Law customers do not pay a volumetric charge as the water supply</li> </ul>	<ul style="list-style-type: none"> <li>▪ 2016/17 Charges raised to Shareholders</li> <li>▪ 2016/17 Charges for Rural Water Service Customers</li> <li>▪ 2016/17 Charges for By Law Customers</li> <li>▪ Review of operating budget 2016/17</li> </ul>	

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>is not guaranteed and there are specific rules regarding the supply.</p> <ul style="list-style-type: none"> <li>▪ The licensee advises that there have been no instances where it has discontinued providing a service because it has been not practicable or not financially viable.</li> <li>▪ The licensee's three irrigation districts are limited to the extent of the licensed operating area. It is expected that expansion of the irrigation area to provide water to new customers in the future will require the operating area to be revised.</li> </ul>		
The licensee must provide, operate and maintain the water service works specified by the ERA in the licence.	3	Section 21(1)(c)	4	<ul style="list-style-type: none"> <li>▪ The licensee has in place an effective asset management system for the operation and maintenance of its water service works. We have undertaken an asset management review at the same time as this operational audit and the findings of this review are presented later in this report.</li> <li>▪ We inspected the licensee's assets at the time of audit including the Bengier pumping station, the Burekup Dam, Harvey Dam, and Logue Brook Dam offtake structures, a sample of pipe crossings, a portion of the concrete open channel, the pressure reducing station, and a sample of valves, supply points and meters around the three irrigation districts.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of operating area map</li> <li>▪ Inspection of assets</li> <li>▪ Review of operation and maintenance records</li> <li>▪ Review of licensee performance monitoring and maintenance records</li> </ul>	1
<b>Provision of Water Services Outside Operating Areas (Clause 3.4)</b>						
The licensee must notify the ERA as soon as practicable before commencing to	4	Section 22	4	<ul style="list-style-type: none"> <li>▪ The licensee does not provide a water service outside of the operating area.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NR

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
provide the water service outside of the operating area of the license.				This obligation is not able to be rated for the audit period.	<ul style="list-style-type: none"> <li>Review of operating area map</li> </ul>	
If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the ERA.	182	Section 12	4	<ul style="list-style-type: none"> <li>The licensee has not provided a water service outside of the operating area. This obligation is not able to be rated for the audit period.</li> <li>The operating area was last extended in 2010. A current request to provide supply to a number of new customers is currently being assessed and it is possible that the operating area will need to be revised during the next audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of operating area map</li> <li>Inspection of assets</li> </ul>	NR
<b>Works Holding Arrangements (Clause 3.5)</b>						
All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by a works holding arrangement.	5	Section 23	4	<ul style="list-style-type: none"> <li>The South West Irrigation Asset Cooperative (SWIAC) is the asset owner for most of the assets in the licensee's irrigation scheme. This includes the Collie River Irrigation channels and structures, the Harvey Central Pipe Scheme and the assets that form the Waroona Irrigation District.</li> <li>The licensee has a Memorandum of Understanding with the asset cooperative that allows it to operate the works so as to comply with its operating licence and the services it is licensed to provide.</li> <li>SWIAC is not the asset owner for the Harvey Pipe Project that replaced the channels in the Harvey Irrigation District excluding the Central Pipe Scheme. The assets in this scheme are owned by the South West Irrigation management Cooperative (SWIMCO). The licensee is assessing who should be the asset</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review financial records</li> <li>Memorandum of Understanding between SWIMCO and SWIAC</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>owner of these assets in the future and it is possible that they may either be transferred to SWIAC ownership or that the licensee will look to form a single cooperative rather than having the two cooperative structure currently in place.</p> <ul style="list-style-type: none"> <li>The Water Corporation is the asset owner of the dams that supply the licensee. However, the water in the dams is owned by the licensee. The licensee owns and operates the assets the release water from the dams into the licensee's irrigation networks. The licensee's responsibilities start downstream of the main valve/release structures on each dam. The licensee has an agreement with the Water Corporation that covers the taking of water from the Water Corporation dams.</li> </ul>		
<b>Accounting Records (Clause 3.6)</b>						
The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	160	Section 12	4	<ul style="list-style-type: none"> <li>Accounting records are prepared in accordance with AASB standards.</li> <li>Under the requirements of the Cooperative Act 2009, the licensee is required to conduct an annual audit of its finances and make the audited Statement of Accounts available to all member customers.</li> <li>The financial statement includes a sign-off from the independent auditor that the financial report complies with the Australian Accounting Standards.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Harvey Water Annual Reports 2013/14, 2014/15 and 2015/16</li> <li>Review of Operating Budget 2016/17</li> </ul>	1
<b>Reporting a Change in Circumstance (Clause 3.7)</b>						
The licensee must report to the ERA, in the manner prescribed, if a licensee is under external administration or there is a	163	Section 12	4	<ul style="list-style-type: none"> <li>The licensee is not under external administration and there has been no material change of circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.				Therefore, this clause is not able to be rated.		
The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	2014/164	Section 12	4	<ul style="list-style-type: none"> <li>As noted previously, the licensee has not undertaken any major works or general works during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Provision of Information (Clause 3.8)</b>						
The licensee must provide the ERA specified information relevant to the operation of the licence or the licensing scheme, or the performance of the ERA's function under the Act in the manner and form specified by the ERA.	165	Section 12	4	<ul style="list-style-type: none"> <li>The licensee has provided the required information to the Authority.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>2013/14, 2014/15 and 2015/16 Annual Compliance Reports</li> <li>2013/14, 2014/15 and 2015/16 Annual Performance Reports</li> <li>Correspondence with ERA</li> </ul>	1
The licensee must comply with any information reporting requirements prescribed by the ERA, including but not limited to the provisions of the Water Compliance Reporting Manual that apply to the licensee.	166	Section 12	4	<ul style="list-style-type: none"> <li>We reviewed the following compliance reports at audit:                             <ul style="list-style-type: none"> <li>2013/14 compliance report dated 26 August 2014</li> <li>2014/15 compliance report dated 15 September 2015</li> <li>2015/16 compliance report dated 14 September 2016</li> </ul> </li> <li>We confirmed that the licensee reported a non-compliance in the 2015/16 annual compliance reports submitted to the ERA. This was for the late submission of the 2014/15 annual compliance report. As the compliance reports are required to be submitted by 31 August each year, the licensee will be reporting a non-compliance in the 2016/17 compliance</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>2013/14, 2014/15 and 2015/16 Annual Compliance Reports</li> <li>2013/14, 2014/15 and 2015/16 Annual Performance Reports</li> <li>Correspondence with ERA</li> </ul>	2

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>report for the late submission of the 2015/16 report.</p> <ul style="list-style-type: none"> <li>▪ No non-compliances were reported in the 2013/14 annual compliance report.</li> <li>▪ The licensee has developed a Reporting and Communication Requirements matrix which sets out its reporting obligations throughout the year. This was a recommendation from the previous audit. In some cases, Outlook reminders have been set up to automatically email reminders to the staff responsible for the reporting/communication actions.</li> <li>▪ However, based on our findings during the audit and the confirmation of the late submission of the 2014/15 and 2015/16 compliance reports, we recommend that the licensee reviews the Outlook reminders it has set-up and implements automatic reminders for the remaining obligations to ensure that all reporting deadlines are met in the future.</li> </ul>		
<p>The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the Water, Sewerage and Irrigation Licence Performance Reporting Handbook, and the National Performance Framework that apply to the licensee.</p>	<p>167</p>	<p>Section 12</p>	<p>4</p>	<ul style="list-style-type: none"> <li>▪ The licensee has provided the Authority with performance reporting data. We reviewed the following performance reports at audit: <ul style="list-style-type: none"> <li>– 2013/14 performance report. The covering email for this report could not be located at audit. Although the licensee considers that the report was submitted on time, this could not be confirmed at audit.</li> <li>– 2014/15 performance report dated 29 September 2015.</li> <li>– 2015/16 performance report dated 7 October 2016.</li> </ul> </li> <li>▪ The licensee has developed a Reporting and Communication Requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ 2013/14, 2014/15 and 2015/16 Annual Compliance Reports</li> <li>▪ 2013/14, 2014/15 and 2015/16 Annual Performance Reports</li> <li>▪ Correspondence with ERA</li> </ul>	<p>2</p>

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>matrix which sets out its reporting obligations throughout the year. This was a recommendation from the previous audit. In some cases, Outlook reminders have been set up to automatically email reminders to the staff responsible for the reporting/communication actions.</p> <ul style="list-style-type: none"> <li>▪ However, based on our findings during the audit and the confirmation of the late submission of the 2014/15 and 2015/16 compliance reports, we recommend that the licensee reviews the Outlook reminders it has set-up and implements automatic reminders for the remaining obligations to ensure that all reporting deadlines are met in the future and that copies of the submitted information are maintained on record.</li> </ul>		
<b>Asset Management System (Clause 4.1)</b>						
The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	6	Sections 24(1)(a) and 24(2)	4	<ul style="list-style-type: none"> <li>▪ The licensee has in place an asset management system for the operation and maintenance of its water service works.</li> <li>▪ The main components of the licensee's asset management system are: <ul style="list-style-type: none"> <li>– Greenbase, the asset management system that holds the asset register and is used for works management</li> <li>– MYOB, for financial accounting (mapped to the asset register in Greenbase)</li> <li>– SCADA for managing/monitoring assets remotely and for releases into the irrigation schemes</li> <li>– Ordering System for Irrigation (OSI) software package for managing water ordering and delivery</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Asset Management Plan</li> <li>▪ Greenbase</li> <li>▪ OSI water ordering and delivery software</li> <li>▪ BOB Customer System</li> <li>▪ Annual O&amp;M budgets</li> <li>▪ Capital Works Plan</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>– BOB, the customer meter read and billing system (interfaced with OSI)</li> <li>– Annual Capital Works Plan, presented to Board each year</li> <li>– Five year operating budget</li> <li>– Staff training and awareness</li> <li>– Asset Management Plan</li> <li>▪ .A review of this asset management system has been completed at the same time as this operational audit and the outcomes are presented in a later section of this report.</li> </ul>		
The licensee must give details of the asset management system and any changes to it to the ERA.	7	Section 24(1)(b)	5	<ul style="list-style-type: none"> <li>▪ Refer to the observations made for Obligation 171.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Correspondence with ERA</li> </ul>	NR
The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	2014/170	Section 12	4	<ul style="list-style-type: none"> <li>▪ The licensee provided details of the asset management system at the time of its licence application. Therefore, this obligation is no longer applicable to the licensee.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>	NA
The licensee must notify the ERA of any material change to the asset management system within 10 business days of the change.	171	Section 12	5	<ul style="list-style-type: none"> <li>▪ There has been no material change to the asset management system used by the licensee during the audit period. Therefore, this obligation has not been rated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Correspondence with ERA</li> </ul>	NR
A licensee must provide the ERA with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the ERA.	8	Section 24(1)(c)	5	<ul style="list-style-type: none"> <li>▪ An asset management system review was conducted by Paxon and documented in a report prepared 5 August 2014, which covered the period from 1 January 2010 to 17 November 2013.</li> <li>▪ The next asset management system review (this review) covers the period from 18 November 2013 to 30 November 2016.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of previous asset management review report</li> </ul>	1

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The licensee must cooperate with the independent expert and comply with the ERA's standard guidelines dealing with the asset management system review.	172	Section 12	4	<ul style="list-style-type: none"> <li>▪ The asset management system review is being conducted in accordance with the Authority's <i>Audit and Review Guidelines: Water Licences (2014)</i> and the preceding <i>Audit Guidelines: Electricity, Gas and Water Licences (2009)</i> as both were in effect during the audit period.</li> <li>▪ An audit plan consistent with these guidelines has been prepared prior to this audit. The licensee has been consulted with respect to the audit plan and the audit plan has been approved by the Authority.</li> <li>▪ The outcomes of the asset management system review are in a later section of this report.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit and review plan</li> <li>▪ Audit and review guidelines</li> <li>▪ Interviews with licensee staff</li> </ul>	1
<b>Individual Performance Standards (Clause 4.2)</b>						
The licensee must comply with any individual performance standards prescribed by the ERA.	161	Section 12	5	<ul style="list-style-type: none"> <li>▪ The individual performance standards that the licensee had to comply with under the <i>Water Services Act 2012</i> for the period 18 November 2013 to 1 July 2016 related to:                             <ul style="list-style-type: none"> <li>– Providing water suitable for irrigation purposes.</li> <li>– Providing at least five business days' notice of any planned service interruption.</li> <li>– Providing an annual notification that customers are provided with a non-potable water supply.</li> </ul> </li> <li>▪ The standards that the licensee was required to meet in relation to these requirements are:                             <ul style="list-style-type: none"> <li>– Providing water quality of &lt;1,200 mg/L TDS.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Interviews with license staff</li> <li>▪ Annual Compliance Reports 2013/14, 2014/15 and 2015/16</li> <li>▪ Annual Performance Reports 2013/14, 2014/15 and 2015/16</li> <li>▪ Complaints Register</li> <li>▪ Harvey Water Customer Service Charter, January 2014</li> <li>▪ RWS Customer Service Charter, 2009 – 2011</li> <li>▪ Rules of South West Irrigation</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>- Providing &gt;90% of customers with five days' notice of a planned interruption in any year.</li> <li>- Providing 100% of customers with an annual notice that the water provided is not suitable for drinking.</li> <li>▪ For the period since 1 July, the licensee has only been required to comply with two of the previous performance standards, as the requirement for providing an annual notification that customers are provided with a non-potable water supply is no longer required.</li> <li>▪ We confirmed that the licensee has complied with all of the individual performance standards prescribed by the ERA in its operating licenses that were in place during the audit period.</li> <li>▪ ChemCentre carry out the water quality testing for the licensee. Sample bottles are sent to the licensee and samples collected and sent back to ChemCentre. Only one sample per dam per year is taken. We reviewed the test results and confirmed that the licensee has met the 1,200 mg/L TDS standard.</li> <li>▪ The Wellington Dam that feeds into the Burekup Dam has the poorest quality water, with the TDS being tested up to 1,200 mg/L during the audit period. However, this level has not been exceeded. We note that the performance target has been set at &lt;1,200 mg/L TDS, which may imply that a reading of exactly 1,200 mg/L is a failing sample.</li> </ul>	<p>Management Cooperative Limited</p> <ul style="list-style-type: none"> <li>▪ Rules of South West Irrigation Asset Cooperative Limited</li> <li>▪ Copies of Newsletters</li> <li>▪ Examples of Customer Invoices</li> <li>▪ Water Quality Test Results</li> <li>▪ Examples of planned interruption notices</li> </ul>	

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>We confirmed that customers impacted by planned interruptions completed by the licensee during the audit period have been provided with at least five days' notice. Where possible the licensee plans to delay any planned interruptions until the growing season has ended.</li> <li>We confirmed that the licensee informs customers that the water provided is not suitable for drinking on all invoices. This is also specified in the Customer Charters and the connection application information packs provided to prospective customers. The licensee also labels each supply point to inform that the water is non-potable. This performance standard requirement has not been included in the operating licences since 1 July 2016 but the licensee has continued to provide the notification.</li> </ul>		
<b>Operational Audit (Clause 4.3)</b>						
A licensee must, not less than once every 24 months, or such longer period as determined by the ERA, provide the ERA with an operational audit conducted by an independent expert appointed by the ERA.	9	Section 25	4	<ul style="list-style-type: none"> <li>The licensee is currently subject to operational audits at 36 month intervals.</li> <li>The last operational audit was undertaken by Paxon and documented in a report prepared 5 August 2014, which covered the period from 1 January 2010 to 17 November 2013.</li> <li>The next operational audit (this audit) covers the period from 18 November 2013 to 30 November 2016.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Previous operational audit report (Paxon, August 2014)</li> <li>Correspondence with ERA</li> </ul>	1
The licensee must cooperate with the independent expert and comply with the ERA's standard audit guidelines dealing with the operational audit.	162	Section 12	4	<ul style="list-style-type: none"> <li>The current operational audit follows the Audit and Review Guidelines - Water Licences – Final (July 2014)</li> <li>The audit has been conducted following the audit plan prepared in accordance</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				with the guidelines and approved by the Authority. <ul style="list-style-type: none"> <li>The licensee has complied with all requests for information made by the auditor and has made its staff and resources freely available to assist the conduct of this audit.</li> <li>The licensee's staff have acted in a professional and helpful manner throughout this audit.</li> </ul>		
<b>Customer Contract (Clause 5.1)</b>						
If directed by the ERA, the licensee must submit a draft customer contract for approval.	175	Section 12	5	<ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation has not been rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>	NR
The licensee must comply with any Customer Contract Guidelines that apply to the licensee.	176	Section 12	5	<ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation has not been rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
The licensee may only amend the customer contract with the ERA's approval.	177	Section 12	5	<ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation has not been rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>	NR
The licensee must comply with any direction by the ERA to amend the customer contract.	178	Section 12	5	<ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation has not been rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>	NR
<b>Standard Terms and Conditions of Service (Clause 5.2)</b>						
Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).	2014/174	Section 12	4	<ul style="list-style-type: none"> <li>There are no Standard Terms and Conditions of Service that apply to the licensee. This obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA



Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>The licensee seeks to provide its services in accordance with the Act and other applicable legislation (e.g. Cooperatives Act 2009)</li> </ul>		
<b>Non Standard Terms and Conditions of Service (Clause 5.3)</b>						
Unless clause 5.3.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Code of Conduct without the prior approval of the ERA.	179	Section 12	4	<ul style="list-style-type: none"> <li>The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the Customer Services Code.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the Code of Conduct, the licensee must publish an annual report containing the information specified.	180	Section 12	4	<ul style="list-style-type: none"> <li>The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. This obligation is not able to be rated.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR
<b>Hardship Policy (Clause 5.4)</b>						
The licensee must comply with the ERA's Financial Hardship Policy Guidelines as they apply to the licensee.	183	Section 12	4	<ul style="list-style-type: none"> <li>The licensee received confirmation from the ERA to confirm that it is exempt from the requirement to have a financial hardship policy in a letter dated 7 July 2014. Therefore this obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with the ERA</li> </ul>	NA
<b>Water Services Ombudsman Scheme (Clause 5.5)</b>						
The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	173	Section 12	4	<ul style="list-style-type: none"> <li>The Energy and Water Ombudsman of Western Australia became responsible for the water services ombudsman scheme referred to in Part 4 of the Act on 1 January 2014.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> <li>The licensee is a member of this scheme.</li> </ul>		
Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision or direction of the water services ombudsman under the scheme.	15	Section 66	4	<ul style="list-style-type: none"> <li>The licensee has agreed to be bound by and compliant with any decision or direction of the Ombudsman.</li> <li>No complaints concerning the licensee have been referred to the Ombudsman during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence</li> <li>Complaints register</li> </ul>	1
<b>Supplier of Last Resort (Clause 5.6)</b>						
If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	181	Section 12	4	<ul style="list-style-type: none"> <li>The licensee has not been appointed as a supplier of last resort. This obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	14	Section 60	4	<ul style="list-style-type: none"> <li>The licensee has not been appointed as a supplier of last resort. This obligation is not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NA
<b>Performance Standards (Schedule 2)</b>						
The licensee must comply with the service and performance standards as set out in Schedule 2.	190	Section 12	2	<ul style="list-style-type: none"> <li>Refer to the observations made for Obligation 161.</li> <li>We confirmed that the licensee has complied with all of the individual performance standards prescribed by the Authority and included in Schedule 3 of the operating licence for the period from 18 November 2013 until 1 July 2016 and in Schedule 2 of the two operating licences in place for the period 1 July 2016 to the end of the end of the audit period on 30 November 2016.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Operating licence</li> <li>Annual Compliance Reports 2013/14, 2014/15 and 2015/16</li> <li>Annual Performance Reports 2013/14, 2014/15 and 2015/16</li> <li>Complaints Register</li> <li>Examples of Customer Invoices</li> </ul>	1

Performance Areas	Compliance Manual Ref (2016 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
					<ul style="list-style-type: none"> <li>Water Quality Test Results</li> <li>Examples of planned interruption notices</li> </ul>	
<b>Other Licence Conditions</b>						
<p>The licensee may seek a review of a reviewable decision by the ERA pursuant to this licence in accordance with the following procedure:</p> <ul style="list-style-type: none"> <li>the licensee must make a submission on the subject of the reviewable decision within 10 business days (or other period as approved by the ERA) of the decision; and</li> <li>the ERA will consider the submission and provide the licensee with a written response within 20 business days.</li> </ul> <p>For the avoidance of doubt, this clause does not apply to a decision of the ERA pursuant to the Act, nor does it restrict the licensee's right to have a decision of the ERA reviewed in accordance with the Act.</p>	-	Clause 2.9	5	<ul style="list-style-type: none"> <li>The licensee has not sought a review of a reviewable decision by the ERA during the audit period. As a result, we have not rated this obligation.</li> </ul>	<ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>	NR

## 6.2 Asset Management System Review

The following table provides detailed commentary based on the findings observed during the audit process.

**Table 6-2 Asset Management System Review Observations**

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<b>Asset Planning – Overall Rating: B1</b>		
<ul style="list-style-type: none"> <li>Asset Management Plan covers key requirements</li> <li>Planning processes and objectives reflect the needs of all stakeholders</li> </ul>	<p><b>Overview</b></p> <ul style="list-style-type: none"> <li>Harvey Water (HW) manages its asset management through its Asset Management System (AMS), Greenbase. Hard copy asset sheets are used in the field during inspection and maintenance activities and used to identify maintenance, replacement</li> </ul>	<ul style="list-style-type: none"> <li>Harvey Water Asset Management Plan</li> <li>Greenbase</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<p>and is integrated with business planning.</p> <ul style="list-style-type: none"> <li>▪ Service levels are defined.</li> <li>▪ Non-asset options (e.g. demand management) are considered.</li> <li>▪ Lifecycle costs of owning and operating assets are assessed.</li> <li>▪ Funding options are evaluated.</li> <li>▪ Costs are justified and cost drivers identified.</li> <li>▪ Likelihood and consequences of asset failure are predicted.</li> <li>▪ Plans are regularly reviewed and updated.</li> </ul>	<p>and renewal work. Identified asset management activities are prioritised based on the impact on the service delivery to HW's customers.</p> <ul style="list-style-type: none"> <li>▪ Asset performance and condition information is informally assessed on a daily basis based on information provided back from the field and through HW's SCADA system, with more formal weekly and quarterly assessments to identify and confirm required work along with any specific training and workplace health and safety requirements.</li> <li>▪ HW has three different types of customer; members, who are shareholders in the Cooperative, Rural Water Service customers, who receive their water via a subsidiary company of Harvey Water, and By Law customers. By Law customers are considered opportunistic customers and the water supply service provided to them is not guaranteed. The main differences between the two customer types relate to the service levels, how much water the customer requires, the associated charges for the different service levels and the different rights the customer has in regard to a fixed allocation of water.</li> <li>▪ The conditions for connection are different for the different customer types and for the member customers and RWS customers, these are outlined in the two separate Customer Service Charters, one for each of the main customer types. The Service Levels for Members and RWS customers are also set out in their appropriate Customer Service Charters.</li> <li>▪ The Harvey Pipe Project was the main recent major project carried out by HW but this was completed prior to the review period. HW is currently in a phase of asset upgrade, with the overhaul of meters and supply points forming the main asset replacement work in the immediate future.</li> </ul> <p><b>Asset Ownership and Management</b></p> <ul style="list-style-type: none"> <li>▪ The South West Irrigation Asset Cooperative (SWIAC) is the asset owner for most of the assets in the licensee's irrigation scheme. This includes the Collie River Irrigation channels and structures, the Harvey Central Pipe Scheme and the assets that form the Waroona Irrigation District.</li> <li>▪ HW has a Memorandum of Understanding with the asset cooperative that allows it to operate the works so as to comply with its operating licence and the services it is licensed to provide.</li> <li>▪ SWIAC is not the asset owner for the Harvey Pipe Project that replaced the channels in the Harvey Irrigation District excluding the Central Pipe Scheme. The assets in this scheme are owned by the South West Irrigation Management Cooperative (SWIMCO). HW is currently assessing who should be the asset owner of these assets in the future and it is possible that they may either be transferred to SWIAC ownership or that the licensee will look to form a single cooperative rather than having the two cooperative structure currently in place.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rules of South West Irrigation Management Cooperative Limited</li> <li>▪ Rules of South West Irrigation Asset Cooperative Limited</li> <li>▪ Memorandum of Understanding between SWIMCO and SWIAC</li> <li>▪ Risk Management Plan</li> <li>▪ Risk Registers</li> <li>▪ Examples of Board papers and presentations to the Board</li> <li>▪ Harvey Water Strategic Plan 2011-2016</li> <li>▪ Operations Budget 2016-17</li> <li>▪ Operations Budget 2016-17 presentation to Board</li> <li>▪ Examples of Capex and Asset Management Reports to Board</li> <li>▪ Examples of Water Services Monthly Reports to Board</li> <li>▪ Harvey Water – Fire Damaged Assets, January 2016</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ The Water Corporation is the asset owner of the dams that supply HW. However, the water in the dams is owned by HW. HW owns and operates the assets that release water from the dams into its irrigation networks. HW's responsibilities start downstream of the main valve/release structures on each dam. HW has an agreement with Water Corporation that covers the taking of water from the Water Corporation dams.</li> <li>▪ HW has a Policy Manual for the South West Irrigation Management Cooperative (SWIMCO) with a focus on operations and administration. There is no policy manual for the South West Irrigation Asset Cooperative who are the owners of the majority of HW's assets. As such, there are limited policies related to the assets and to asset management. We recommend that HW develops an overall Asset Management Policy for inclusion in its Policy Manual. We would also recommend that HW develops further policy documents for:               <ul style="list-style-type: none"> <li>– Customer Service Charges and Supply of Water for non-pipe customers (as the Supply of Water in the Harvey Pipe Scheme Policy is only for piped customers)</li> <li>– Communication with Stakeholders</li> <li>– Irrigation System Expansion and Enhancement</li> <li>– Non-members</li> <li>– Irrigator Infrastructure.</li> </ul> </li> </ul> <p><b>Consideration of Non-Asset Options</b></p> <ul style="list-style-type: none"> <li>▪ HW maintains close contacts with industry and research. It has recently tested the installation of a new pipe material in the Waroona Irrigation District which allows very long length of pipes to be constructed. HW also works in conjunction with the local agricultural college for research projects and crop trials related to improving irrigation practices, optimising the assets used as well as allowing different asset options to be considered in future asset planning.</li> <li>▪ In addition, HW is investigating opportunities to move to different energy sources, with solar at the Bengier Dam, where the pumping stations being considered. HW has used tendering of its electricity contract to obtain the best price of its operations, and this has resulted in the unit cost per ML supplied approximately halving since 2009/10.</li> <li>▪ Head ditch maintenance is carried out to improve the flow of water through the channel system in the Collie River Irrigation District and results in less water being required to operate the system.</li> <li>▪ HW moves water from Wellington Dam to Harvey Dam during the winter months as it is able to sell this water at a premium to its industrial customers.</li> <li>▪ The Collie Water project that is currently being proposed is a very asset-driven project but the main driver is improving water quality.</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p><b>Asset Management Plan</b></p> <ul style="list-style-type: none"> <li>▪ HW has an Asset Management Plan (AMP) that covers the key requirements. This includes the planning of asset operations, asset maintenance and the rehabilitation, refurbishment and replacement of assets 'to achieve the most effective service at the most efficient future cost'.</li> <li>▪ The AMP provides focus and detail on the operation of the Collie River Irrigation District, as this old channel system uses a disproportion component of the annual operations and maintenance budget. However, the assets in the piped irrigation areas are also covered in the AMP.</li> <li>▪ HW's AMP includes its risk management plan for risks associated with owning, operating and maintaining its assets. The likelihood and consequences of asset failure are assessed and included in the risk assessment. HW also has a separate risk register for its corporate risks.</li> <li>▪ The review process for the AMP is included in Section 8. Different sections within the document have different review cycles varying from one to five years. The maintenance plan is reviewed quarterly while the asset maintenance schedule, asset condition, financial analysis and capital investment sections of the AMP are reviewed annually.</li> </ul> <p><b>Strategic Plan</b></p> <ul style="list-style-type: none"> <li>▪ HW has a Strategic Plan covering 2011-2016. As this is the last year of the Plan, it will soon need to be revised and updated. The Strategic Plan provides the strategic planning objectives, a Purpose Statement and a Vision Statement. The Plan includes SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis and identifies key issues to be addressed. The Plan develops a series of initiatives and measures for identifying success for key objectives which are grouped under key result areas.</li> </ul> <p><b>Forward Works Program</b></p> <ul style="list-style-type: none"> <li>▪ HW's major current asset objectives and projects are covered in the Forward Works Program in Section 7 of the AMP.</li> <li>▪ The proposed return of drainage assets to the Water Corporation and referring disputed drainage assets for mediation has been identified as a major future project. HW is not licenced to provide drainage services and the Cooperatives do not want to have to incur the costs and work related to maintaining these assets as they are not used in the supply of irrigation water to HW's customers. The project does not have any specific asset planning documents (e.g. feasibility, cost benefit analysis, action plan, etc.) but HW is working in conjunction with the Water Corporation to inspect assets and to bring them to the condition/standards required by Water Corporation.</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ The hydraulic modelling project that HW is aiming to complete by 30 June 2017 is to allow the model to be updated to take account of the modifications to the pipeline since it was first installed. This will provide HW with an up-to-date model of how the pipe systems operate.</li> <li>▪ HW has a plan to install data loggers on all of its meter by 2017/18 to allow the meters to be read remotely without the need to physically read each meter. A small number of supply points are expected to not have a data logger installed as the volume of water supplied to these customers is considered so low that it would not be cost effective to install a data logger.</li> <li>▪ HW has a specific 2-3 year meter replacement program in the Waroona Irrigation District and Harvey Central Pipe Scheme to upgrade older meters that are known to not be accurate and which are not able to be calibrated due to the age of the meters (approximately 30 years) and the obsolete technology utilised.</li> <li>▪ HW has a program for refurbishing and repairing eroded channels in the Collie River Irrigation District. The channel system is walked every year to inspect the assets and to identify repair work that needs to be carried out during the winter months after the end of the growing season.</li> <li>▪ HW also has an ongoing cathodic protection replacement program for a small section of pipe.</li> </ul> <p><b>Planning Processes</b></p> <ul style="list-style-type: none"> <li>▪ All proposed projects are presented to the two cooperative Boards for approval and sign-off. The Boards are made up of members of the Cooperative, which allows for stakeholder needs to be taken into consideration. The overall processes and objectives associated with asset planning are integrated with the business planning. Project drivers and costs are taken into consideration.</li> <li>▪ We reviewed a sample of presentations to the Board and Board papers for new capital expenditure projects and confirmed that the information provided includes the project background, which sets out the drivers, and the costs to be incurred. A recommendation from the HW staff proposing the project is also included. The Board makes a decision whether to approve and sign-off on the project or reject it based on the information presented.</li> </ul> <p><b>Service Levels</b></p> <ul style="list-style-type: none"> <li>▪ Service Levels for member customers are set out in the Harvey Water Customer Service Charter. Service levels for RWS customers are set out in the RWS Customer Charter. The service levels for the member customers are more detailed than for the RWS customers, with the Cooperative members having an allocation of water that is received as shareholders in the organisation. Although HW endeavours to provide</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>the service levels, the Customer Charters inform the customers that water quality and pressure cannot be guaranteed.</p> <ul style="list-style-type: none"> <li>▪ Performance indicators and targets are set out in Table 9.1 of the AMP.</li> <li>▪ HW also has a performance requirement for total dissolved solids (TDS) and for notification for planned interruptions included in its operating licence.</li> <li>▪ HW has a Water Resource Management Operating Strategy that was developed with the Department of Water (DoW) that sets out the requirements for environmental flows. This document forms the overall day-to-day operating strategy manual and HW reports to the DoW under the requirements of the Operating Strategy.</li> <li>▪ HW uses the Water Allocation Resource (WAR) Report, a spreadsheet used to record the overall business water allocation, dam storage levels and environmental flows. The spreadsheet is updated weekly and is used to calculate the allocation of water provided to shareholders during the growing season. The developers behind Greenbase are currently developing the WAR Report to be a web-based system. The intention is for the BOB Customer Service system to also be modified as a web-based system in order to facilitate the integration of all of HW different reporting requirements.</li> </ul> <p><b>Asset Management Planning for New Development</b></p> <ul style="list-style-type: none"> <li>▪ If new development in the irrigation districts requires extension of the pipelines or extension of the irrigation areas, HW completes a comprehensive study. If the new development requires extension of the operating area, HW communicates with the ERA under the requirements of its operating licence. No licence boundary requests were made by HW to the ERA during the review period.</li> <li>▪ The most recent planning proposal that was received by HW did not progress to a construction phase. This project would have resulted in a new 26km pipeline and a comprehensive planning process would have been required.</li> <li>▪ For a proposed new development requiring extension of the existing assets, HW would assess the location of the new supply points, provide options analysis for potential pipe routes, and obtain quotes for construction of the new assets, including any costs associated with any earthworks and road crossings. If the proposed extension of the existing supply network has been requested by customers, the customers would then be informed of the likely cost of providing them with the requested service.</li> <li>▪ For connections within the existing operating area, HW assesses whether the requested supply point is within 200m of a HW pipeline and provides the prospective customer with a standard cost for installing a new supply point. This information is included in a connection application pack that also includes HW's piping policies, conditions of connection, current charges, the connection agreement and an application form. HW has a checklist that it uses to process new applications for</li> </ul>	



Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>connection. In a typical year, HW would expect to provide 15-20 new supply point connections to its existing pipelines.</p> <p><b>Asset Lifecycle Costs and Funding</b></p> <ul style="list-style-type: none"> <li>▪ Lifecycle costs of owning and operating the assets are assessed. HW maintains a spreadsheet that looks at the asset life, value, and maintenance costs for its supply points, valves, SCADA, pumping station, bridges and crossings and cathodic protection. For each asset type, the spreadsheet sets out the number of assets, the unit cost, the total cost of the asset group, the maintenance costs (taken from the maintenance management system module), the replacement cost, the forecast for assets to be replaced each year and the cost per year of carrying out the replacements.</li> <li>▪ The lifecycle cost analysis for maintenance and replacement of the assets is used to calculate the Asset Levy charge per share that each member of the Cooperative has to pay each year. The lifecycle cost assessment is updated each year to calculate the following year's Levy.</li> <li>▪ HW maintains a five year expenditure plan that includes the proposed major new projects and any current multi-year projects. At the present time, the proposed Collie Water project has not been included in any of HW's expenditure plans as the operating structure is expected to be completely different and separate to HW and the work is currently in pre-feasibility stage, meaning that no definite costs have yet been determined.</li> <li>▪ HW develops a five year operating budget based on the operating expenditure in the previous three years, with comments provided to record specific projects and work activities where the expenditure is being incurred.</li> <li>▪ From the five year expenditure plans, HW develops an annual operating budget that includes the work to be completed in that year.</li> <li>▪ HW is self-funded at present. Although outside the review period covered by this report, the most recent major project completed by HW, the Harvey Pipe Project, was completed from the Cooperative's own funds. The water savings that the project achieved were transferred to the Water Corporation in return for a one-off payment that allowed the project to be financed. The water savings transferred to Water Corporation are used to supply water to Perth via the Sterling trunk main.</li> <li>▪ The proposed Collie Water project that HW is involved with is expected to be the first project that will require external and government funding to complete.</li> </ul>	
	<p><b>Asset Creation – Overall Rating: B1</b></p>	
<ul style="list-style-type: none"> <li>▪ Full project evaluations are undertaken for new assets including</li> </ul>	<ul style="list-style-type: none"> <li>▪ HW has a Policy Manual for the South West Irrigation Management Cooperative (SWIMCO) with a focus on operations and administration. There is no policy manual for the South West Irrigation Asset Cooperative who are the owners of the majority of HW's assets. As such, there are limited policies related to the assets and to asset</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harvey Water Asset Management Plan</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<p>comparative assessment of non-asset solutions.</p> <ul style="list-style-type: none"> <li>▪ Evaluations include all life-cycle costs.</li> <li>▪ Projects reflect sound engineering and business decisions.</li> <li>▪ Commissioning tests are documented and completed.</li> <li>▪ Ongoing legal / environmental / safety obligations of the asset owners are assigned and understood.</li> </ul>	<p>management. In the Asset Planning section we have recommended that HW develops an overall Asset Management Policy for inclusion in its Policy Manual and recommend that this includes Asset Creation and Asset Disposal Policies.</p> <ul style="list-style-type: none"> <li>▪ HW has a standalone Asset Management - Asset Creation document (October 2010, reviewed in March 2014) that notes in the header that it is part of the Harvey Water Asset Management Plan'. However, we note that the Asset Creation document is not referenced or mentioned in the AMP document. We recommend, as a minimum, that HW includes a reference to the Asset Creation document in the next update of the AMP.</li> <li>▪ The Asset Creation document provides details of the document management, standards, responsibilities, other related procedures, HW's Asset Creation Policy, and an overview of the processes for capital works and operational expenditure (the origin of the project, project approval processes, project realisation and asset records).</li> <li>▪ HW's major current asset objectives and projects are covered in the Forward Works Program in Section 7 of the AMP.</li> <li>▪ With the exception of new supply points in the irrigation districts, no new assets have been created during the review period.</li> <li>▪ Details of new connection points and meters are added into the asset register and also provided to the Customer Service group for recording in the BOB customer service/invoicing system.</li> <li>▪ Meter installation is carried out in-house by HW. No testing of the new meters is carried out insitu and HW relies on the manufacturer testing. Insitu testing and calibration of customer meters is rare and generally HW replaces on failure. A small number of dethridge wheels in the Collie River Irrigation District are replaced each year.</li> <li>▪ The lifecycle cost analysis for maintenance and replacement of the assets is used to calculate the Asset Levy charge per share that each member of the Cooperative has to pay each year. The lifecycle cost assessment is updated each year to calculate the following year's Levy. Any new assets that have been created are added into the assessment.</li> <li>▪ The Licensing Environment that HW operates within is set out at the start of the AMP. The information provides an overview of the key legislation governing HW's operations and also provides details of the water source licences.</li> <li>▪ Ongoing legal, environmental and safety obligations in relation to asset planning are understood by the HW, even though they are not the asset owner of the majority of the assets in the operating area.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harvey Water Irrigation Scheme – Asset Management – Asset Creation, October 2010 (reviewed March 2014)</li> </ul>
<p><b>Asset Disposal – Overall Rating: B1</b></p>		

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<ul style="list-style-type: none"> <li>▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process.</li> <li>▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.</li> <li>▪ Disposal alternatives are evaluated.</li> <li>▪ There is a replacement strategy for assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ HW has a standalone Asset Management - Asset Disposal document (October 2010, reviewed in February 2015) that notes in the header that it is part of the Harvey Water Asset Management Plan'. However, we note that the Asset Disposal document is not referenced or mentioned in the AMP document. We would recommend as a minimum that HW includes a reference to the Asset Disposal document in the next update of the AMP.</li> <li>▪ The Asset Disposal document provides details of the document management, standards, responsibilities, other related procedures, HW's Asset Disposal Policy and overview of the overall processes involved for disposing of an asset. Examples of disposal processes for specific asset types are provided in the document.</li> <li>▪ Asset condition and performance are summarised in Section 2 of the AMP. This includes the performance and condition ratings used by the HW to record general condition and also more specific asset type condition information (e.g. channels, dethridge wheels). These condition ratings are used during the asset inspection activities carried out by HW. The asset condition and performance is updated in the AMP in accordance with the document's review requirements.</li> <li>▪ The asset performance activities allow HW to identify specific assets that are not performing in accordance with the requirements to provide the service and to identify disposal options for that particular asset.</li> <li>▪ HW has a number of different refurbishment strategies for the assets. Assets are disposed of and replaced if there are safety reasons to do so or if the infrastructure is damaged and needs to be replaced.</li> <li>▪ HW has a specific 2-3 year meter replacement program in the Waroona Irrigation District and Harvey Central Pipe Scheme to upgrade older meters that are known to not be accurate and which are not able to be calibrated due to the age of the meters (approximately 30 years) and the obsolete technology used in them. As meters are generally replaced at failure, the only viable disposal strategy is to scrap them.</li> <li>▪ The Benger pumping station is only six years old and to date there have been no assets that have been required to be disposed/replaced. This is HW's only pumping station as the irrigation districts are gravity run in the main. The pump station allows water to be pumped up to Harvey Dam during winter. HW's replacement and asset disposal strategies for the pumping station assets are outlined in its Asset Disposal document and also summarised in section 2 of its Asset Management Plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harvey Water Asset Management Plan</li> <li>▪ Harvey Water Irrigation Scheme – Asset Management – Asset Disposal, October 2010 (reviewed March 2014)</li> </ul>
<p><b>Environmental Analysis – Overall Rating: B2</b></p>	<p><b>Assessment of Opportunities and Threats in the System Environment</b></p>	
<ul style="list-style-type: none"> <li>▪ Opportunities and threats in the system environment are assessed.</li> <li>▪ Performance standards (availability of service, capacity, continuity,</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Licensing Environment and Historical Perspectives sections at the front of the AMP summarise the operating environment that HW operates within and sets out the key issues that have been identified as being required to be addressed in order to</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harvey Water Asset Management Plan</li> <li>▪ Greenbase</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<p>emergency response, etc.) are measured and achieved.</p> <ul style="list-style-type: none"> <li>▪ Compliance with statutory and regulatory requirements.</li> <li>▪ Achievement of customer service levels.</li> </ul>	<p>facilitate the long-term viability and assured performance of the assets and infrastructure.</p> <ul style="list-style-type: none"> <li>▪ The key areas have been identified as:               <ul style="list-style-type: none"> <li>– The Collie River Irrigation District, the maintenance requirements of the open channel system and the installation of pipeline upgrades</li> <li>– Improving the quality of water sourced from the Wellington Dam</li> <li>– The proposed Collie Water project</li> <li>– High labour costs associated with the channel control structures</li> <li>– The limited potential for further operating cost reductions as most opportunities have already been realised</li> <li>– The potential of installing an automated channel control system to allow remote operations of the channel system</li> <li>– Upgrade of the asset register to ensure forward planning is in accordance with the actual asset requirements.</li> </ul> </li> <li>▪ HW has a Strategic Plan covering 2011-2016. As this is in the last year of the Plan, it will soon need to be updated. The Strategic Plan provides the strategic planning objectives, a Purpose Statement and a Vision Statement. The Plan includes SWOT analysis and identifies key issues to be addressed. The Plan develops a series of initiatives and measures of success for key objectives that are grouped under key result areas. The SWOT analysis included in the Strategic Plan was completed by the Board as part of a series of workshops held during the development of the Plan.</li> <li>▪ With the exception of the Bengier Pump Station, which is used to transfer water sourced from the Wellington Dam up to the Harvey Dam during winter, the entire system operates by gravity. Therefore, the operation of the schemes is advantageous with regard to its energy requirements as each irrigation district does not rely on any pumping to supply the connected customers. As such, this minimises the impact of any electricity prices increases on the business's operating costs.</li> <li>▪ HW's AMP includes its risk management plan for risks associated with owning, operating and maintaining its assets. The likelihood and consequences of asset failure are assessed and included in the risk assessment. HW also has a separate risk register for its corporate risks.</li> </ul> <p><b>Performance Standards and Customer Service Levels</b></p> <ul style="list-style-type: none"> <li>▪ Service Levels for member customers are set out in the Harvey Water Customer Service Charter. Service levels for RWS customers are set out in the RWS Customer Charter. The service levels for the member customers are more detailed than for the RWS customers, with the Cooperative members having an allocation of water that is received as shareholders in the organisation. Although HW endeavours to provide</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rules of South West Irrigation Management Cooperative Limited</li> <li>▪ Rules of South West Irrigation Asset Cooperative Limited</li> <li>▪ Memorandum of Understanding between SWIMCO and SWIAC</li> <li>▪ Risk Management Plan</li> <li>▪ Risk Registers</li> <li>▪ Examples of Board papers and presentations to the Board</li> <li>▪ Harvey Water Strategic Plan 2011-2016</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>the service levels, the Customer Charters inform customers that water quality and pressure cannot be guaranteed.</p> <ul style="list-style-type: none"> <li>▪ Performance indicators and targets are set out in Table 9.1 of the AMP. These performance indicators are reported to the Board each month. We note that performance against performance standards and customer service levels is not communicated to customers in the Annual Reports or newsletters.</li> <li>▪ HW has performance standards included as a requirement under its operating licence. These include providing annual notice to customers that the water supply is non-potable (for the period up to 1 July 2016), providing &gt;90% of customers at least five business days' notice of planned interruptions and providing a water supply that has &lt;1,200 mg/L TDS.</li> <li>▪ The Wellington Dam that feeds into the Burekup Dam has the poorest quality water, with the TDS being tested up to 1,200 mg/L during the audit period. However, this level has not been exceeded. We note that the performance target has been set at &lt;1,200 mg/L TDS, which may imply that a reading of exactly 1,200 mg/L is a failing sample. We confirmed during the course of the operational audit that HW has complied with the water quality requirement for the other water sources it uses and for the other performance standards included in its operating licence during the review period.</li> <li>▪ We confirmed that HW has only received two complaints during the review period. Both complaints related to pressure issues.</li> <li>▪ HW has a Water Resource Management Operating Strategy that was developed with the Department of Water (DoW) that sets out the requirements for environmental flows. This document forms the overall day-to-day operating strategy manual and HW reports to the DoW under the requirements of the Operating Strategy.</li> </ul> <p><b>Compliance with Statutory and Regulatory Requirements</b></p> <ul style="list-style-type: none"> <li>▪ HW has developed a Reporting and Communication Requirements spreadsheet matrix, which includes the regulatory reporting obligations for the 12 months in each year. This was confirmed at audit. In some cases, outlook reminders have been set up to issue reminders. We note that HW did not provide the Annual Compliance Report to the ERA by the required date in 2015 and 2016. A non-compliance has been reported to the ERA in its 2015/16 Compliance Report and will also be included in the 2016/17 Compliance Report. As such, we have recommended in the operational audit recommendations that HW review the Outlook reminders it has set-up and implements automatic reminders for the remaining obligations to ensure that reporting deadlines are met in the future.</li> <li>▪ Compliance with the licence obligations is reported annually to the ERA, including when HW has been non-compliant with the requirements. We confirmed the non-compliances reported to the ERA during the course of the operational audit.</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ Water quality information is also reported to the DoW. The DoW have separate water quality requirements for irrigation water. HW has not breached any of the DoW water quality parameter targets during the review period.</li> <li>▪ In addition to the water quality parameters, HW also has a requirement under its supply licence with the DoW to have a Water Resources Management Operating Strategy. This is negotiated between HW and DoW and sets out the operating rules and the management activities to meet the required environmental targets, minimum flows and water efficiency requirements. A monitoring program is included in the document and it also sets out the compliance and reporting requirements. HW reports to the DoW annually against the requirements included in this strategy and has not breached any of the DoW's licence conditions during the current review period.</li> </ul>	
<b>Asset Operations – Overall Rating: B1</b>		
<ul style="list-style-type: none"> <li>▪ Operational policies and procedures are documented and linked to service levels required.</li> <li>▪ Risk management is applied to prioritise operations tasks.</li> <li>▪ Assets are documented in an Asset Register, including asset type, location, material, plans of components, an assessment of assets' physical / structural condition and accounting data.</li> <li>▪ Operational costs are measured and monitored.</li> <li>▪ Staff receives training commensurate with their responsibilities.</li> </ul>	<p><b>Policies</b></p> <ul style="list-style-type: none"> <li>▪ HW has a number of key operational policy and procedural documents. The Policy Manual includes a number of policies grouped under a section of Water Services and includes specific policies on:               <ul style="list-style-type: none"> <li>– Transfer of Water Entitlements</li> <li>– Unauthorised use of the Water Delivery System</li> <li>– Supply of Water in the Harvey Pipe Scheme</li> <li>– On Farm Structures</li> <li>– Leaking or Failure of Assets</li> <li>– Supply in Years of Reduced Allocations</li> <li>– Harvey Piping Policy</li> <li>– Unauthorised interference with Works</li> <li>– Industrial Customers</li> </ul> </li> </ul> <p>These policies are included in the SWIMCO Policy Manual. As noted previously, there is no separate policy manual for SWIAC, the owner of the majority of the assets.</p> <ul style="list-style-type: none"> <li>▪ Operational Levels of Service are outlined in Section 3 of the AMP.</li> <li>▪ We note that HW has a Strategic Plan covering 2011-2016 but the strategic themes, objectives, initiatives and measures of success in achieving the objectives are not referenced in the AMP. We recommend that in the next review of the AMP, HW includes references to the information in the Strategic Plan as these items have a direct relationship on how HW manages its assets and this should be reflected in the AMP.</li> <li>▪ As noted previously, HW also has a requirement under its supply licence with the DoW to have a Water Resources Management Operating Strategy. This is</li> </ul>	<ul style="list-style-type: none"> <li>▪ Harvey Water Asset Management Plan , August 2016</li> <li>▪ Harvey Water Risk Management Plan</li> <li>▪ Harvey Water Risk Registers</li> <li>▪ Future Asset Maintenance Report template</li> <li>▪ Water Controller Procedure Manual</li> <li>▪ Sandalwood Road Pumping Station Operations and Maintenance Manual</li> <li>▪ Five year forecast budget</li> <li>▪ Operations Budget 2016-17</li> <li>▪ OSI/BOB Systems</li> <li>▪ SCADA system</li> <li>▪ Greenbase AMS</li> <li>▪ MYOB finance system</li> <li>▪ Water Allocation Resources (WAR) Report</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>negotiated between HW and DoW and sets out the operating rules and the management activities to meet the required environmental targets, minimum flows and water efficiency requirements. A monitoring program is included in the document and it also sets out the compliance and reporting requirements.</p> <ul style="list-style-type: none"> <li>▪ Service Levels for member customers are set out in the Harvey Water Customer Service Charter. Service levels for RWS customers are set out in the RWS Customer Charter. The service levels for the member customers are more detailed than for the RWS customers, with the Cooperative members having an allocation of water that is received as shareholders in the organisation. Although HW endeavours to provide the service levels, the Customer Charters inform customers that water quality and pressure cannot be guaranteed.</li> <li>▪ Performance indicators and targets are set out in Table 9.1 of the AMP. These performance indicators are reported to the Board each month. We note that performance against performance standards and customer service levels is not communicated to customers in the Annual Reports or newsletters.</li> <li>▪ The AMP also provide an outline of asset maintenance – levels of service (Section 5), maintenance procedures related to the different asset types (Section 5.1 – 5.6), and the key points of the Maintenance Plan (Section 5.7).</li> </ul> <p><b>Operational / Maintenance Procedures and Tasks</b></p> <ul style="list-style-type: none"> <li>▪ HW has a series of works procedures, operating procedures and safe work method statements for the work activities it carries out, e.g. working at dam sites, welding, channel maintenance, clearing blocked pipes, installing meters, etc.</li> <li>▪ The Operations Plan is included in Section 4 of the AMP. This includes an overview of the major checks required during the annual asset inspection at the end of each irrigation season, and the checks required for the channels and waterways, flow control devices and structures and the access structure.</li> <li>▪ There is no specific overall operations manual for the different irrigation systems but the Water Controllers have a manual for operating the channel system and there is also a complete two-volume manual for the operation of the Bengier pumping station.</li> <li>▪ The Water Controller Procedure Manual includes the procedures for setting up the system at the start of the growing season, the OSI/BOB water ordering systems, use of the SCADA system, delivering water, maintenance, rain interruptions, and closing down the system at the end of the season. The manual also contains the appropriate safety procedures related to operating the schemes.</li> <li>▪ The Sandalwood Road Operations and Maintenance Manual provides detailed information for the Bengier Pumping Station, including overviews and detailed O&amp;M procedures, all relevant equipment manufacturer manuals, performance data showing historic trends, commissioning data, As Constructed drawings and safety information.</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ We note that the AMP does not provide specific details related to the day-to-day operations of the irrigation districts, the water ordering/demand management activities, the extent and management of the SCADA system, or the utilisation of the Benger pumping station. We recommend that HW expands its AMP when next reviewed to provide more details related to the operation of its assets or to provide references to the documents where this information is recorded, e.g. Water Controller Procedure Manual, Sandalwood Road Pumping Station Operations and Maintenance Manual.</li> <li>▪ HW has also installed pressure loggers in the piped schemes as a quick and relatively inexpensive way of monitoring the operational performance of the piped systems through the SCADA system. Alarms from the loggers are received via the SCADA system when the pressure in the system becomes too low. HW also has a pressure reducer on the piped feed from the Harvey Dam, which was fitted due to assets being damaged by the high pressure.</li> </ul> <p><b>Delivery of Water</b></p> <ul style="list-style-type: none"> <li>▪ HW's customers use a water ordering system to request water. The water ordering system consists of IVR (Interactive Voice Response) system and an online system that can be used by the irrigators. Irrigation customers either call in on the IVR or input their water order through HW's website. This information is transferred to the scheduling order screen in the OSI software package used by HW and allows HW to manage the delivery to the customer together with the other customers who have also ordered water. The order placed by the customer may be altered by HW in terms of the timing of the water that has been ordered as not all customers can be supplied at the same time.</li> <li>▪ HW manage the releases from the dam and for the Collie River Irrigation District manual work is required to open and close gates in the channels to provide the customers located away from the main channels with their water orders. HW has six operations field staff to manage the distribution of water to the customers in the Collie River Irrigation District. These staff are only employed during the growing season when customers are ordering water. The staff work either on 6 days on/6 days off or 8 days on/4 days off roster during the season.</li> <li>▪ For customers who are supplied by the piped schemes, water orders still have to be placed but the scheduling is not an issue as it is for the channel scheme.</li> <li>▪ RWS customers and By Law customers do not have to place water orders. The RWS is only for a stock and garden supply and is designed for people using up to 1 megalitre (1,000 kilolitres) per year. As the volumes taken by the RWS customers are small when compared to the member customer irrigators, there are no restrictions on how or when they take water from the supply network.</li> <li>▪ The By Law customers are considered to be opportunistic customers and the water supply is not guaranteed.</li> </ul>	



Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ If By Law customers draw water from an irrigation channel or river and there is no water flowing, HW cannot provide water to By-Law customers until the Irrigation season is open and water has been released for Irrigation purposes. HW does not specifically release water for use by By Law customers. A requirement for becoming a By Law customer is that the customer has to have a dam tank or receptacle to enable storage of enough water to meet requirements in periods of short supply. HW require that By Law customer have a minimum of 21 days storage.</li> <li>▪ Customers are billed for the volumes of water that are delivered to them by the HW using the BOB customer service system. Meter reads are uploaded into BOB. For meters fitted with data loggers, the consumption is recorded continuously and uploaded back into the system every 24 hours.</li> </ul> <p><b>Asset Register</b></p> <ul style="list-style-type: none"> <li>▪ HW maintains its asset register in the Greenbase AMS, a web-based system. Previously Greenbase was an Access database system but as a result of operational issues related to the size of the database and the slow speed accessing information, the developers updated it and created the web-based system.</li> <li>▪ 100% of HW's assets are recorded in Greenbase, although the channel system and pipelines are recorded as single asset entries rather than being broken up into separate channel spurs or lengths of pipe.</li> <li>▪ The information recorded for each asset includes the type, location (linked to HW's GIS), construction/installation date, asset life, cost information, material, sizing data (where applicable) and replacement costs. Asset components are recorded as attributes against the top level asset and the hierarchy is also set up to record parent/child relationships with other assets. For channel and pipe assets, the asset data is recorded for the single asset entry in the register.</li> <li>▪ No asset condition information is recorded in the AMS. HW considers that although it collects asset condition information during annual inspections, daily inspections and maintenance activities of the other above ground assets, any asset requiring maintenance/renewal/replacement due to condition has a work order created to complete the work.</li> <li>▪ An overview of current asset condition for each asset type is included in Section 2 of the AMP along with the condition ratings used by HW for its inspections. The information in the AMP provides an overview of the general condition for each asset type based on the most recent inspection program. Asset condition is generally considered to be good and this was evidenced during the site inspections that were completed as part of the review. HW considered that there are no issues related to asset capacity in the schemes.</li> <li>▪ We would recommend that if HW is collecting regular asset condition information, it should record this information so that a better knowledge of the condition of the assets can be tracked.</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ Only total asset cost data is recorded in Greenbase, more detailed asset costs data is recorded in the MYOB system that HW uses for its financial asset register as well as its overall finance system.</li> <li>▪ As-built drawings exist for the pipe schemes. There are old hard copy maps for the channel system.</li> </ul> <p><b>Maintenance Management System</b></p> <ul style="list-style-type: none"> <li>▪ HW also uses Greenbase for its Maintenance Management System (MMS). The front screen of the system has been set up to show the current work orders and these can be sorted by asset type and/or days to review and manage the upcoming workload. The data can also be exported to Excel.</li> <li>▪ The system can report on the maintenance completed and the maintenance outstanding, as well as the maintenance that was completed by the required due date. Planned and unplanned work can also be analysed and reported. Compliance with the planned maintenance activities is reported to the Board every month.</li> <li>▪ Work orders can be set up in the system for future cyclic maintenance activities, e.g. the annual weed spraying activities during winter when the irrigation channels are not used to supply customers. Work orders can also be filtered by asset type or specific asset to view maintenance activities on specific assets and to review the maintenance history.</li> <li>▪ Greenbase does not have automated reminders for work orders that are emailed to relevant staff when tasks are due to be carried out. Instead the system is reviewed on an ongoing basis, with weekly maintenance task planning sessions and work divided up between field and maintenance staff each day.</li> <li>▪ The system is also used to create work orders for unplanned and emergency maintenance tasks. As for the planned maintenance tasks, the work order is created against the asset in order to maintain the complete maintenance history for the asset.</li> <li>▪ Work order job sheets are printed out from the system and provided to the field staff to complete. Information recorded on the job sheets are then recorded back into Greenbase. The work orders do not capture internal costs associated with labour, plant, materials, etc.) Instead these are captured in the software package that HW uses for its finance system, MYOB, however the costs are not linked back to the specific asset.</li> <li>▪ Greenbase interfaces with HW's ARC GIS and this allows the location of the assets to be viewed and the maintenance history to be accessed.</li> <li>▪ HW has reliable maintenance history for its assets going back to 2000 and, in some cases, earlier than this. We confirmed that the asset history recorded in the system is comprehensive.</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>▪ HW's risk management in relation to its operational tasks are included in the Risk Management Plan that is incorporated into the AMP.</li> <li>▪ Although the maintenance tasks are created with due dates, Greenbase is not used to prioritise maintenance tasks. Instead the priorities are discussed during the Asset Management team meetings to allow the upcoming tasks to be resourced.</li> <li>▪ Planned maintenance is carried out on the channel system as required and any major work is generally delayed until outside the growing season. Some areas of the channel are recognised as being in poor condition due to the sandy soil conditions but HW accepts that it is not able to rectify these issues at the present time, with replacement of the channels by pipes the only real solution.</li> <li>▪ The pipeline schemes are relatively new assets (6 years old) and maintenance requirements are reasonably light at the present time. It is likely that as the assets begin to age and the maintenance needs increase, HW will need to prioritise maintenance tasks within the MMS to allow for efficient scheduling and monitoring of the assets.</li> </ul> <p><b>Asset Costs</b></p> <ul style="list-style-type: none"> <li>▪ Operational costs are included in the budget breakdowns. Forecasts and actual operating costs are reported to the Board on a monthly basis. The costs are also included in the annual financial accounts.</li> <li>▪ Operational costs are recorded in MYOB, the financial asset register, and by maintenance type. As noted previously, internal costs, labour, plants etc., are not recorded against the assets and are recorded as separate line items in the finance system. This information is considered when HW develops its operating budgets but not against specific asset requirements. Labour costs can be tracked as they are recorded on timesheets daily. Overall asset valuation costs are recorded in Greenbase.</li> <li>▪ HW's energy provider is Synergy. However, the energy requirements are low as the majority of HW's system is gravity fed, with the Benger Pumping Station the only significant powered site outside of the main office building. Some electricity is required by the SCADA but this is minimal. The data loggers installed on the meters are battery powered and HW has implemented solar power at some sites. HW are currently in year one of the two year Synergy contract. This is the third contract that HW has had with the energy supplier. Electricity invoices are received every month and are recorded in MYOB.</li> <li>▪ HW has a five year financial forecast that includes the maintenance/repair/renewals work that HW knows it has to complete based on its developed programs and schedules and proposed major works. The forecast is reviewed and updated annually.</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ An annual budget is prepared each year that confirms the work activities to be completed in the year and the forecasted costs. The basis of the budget is the historic operations and maintenance expenditure plus cost estimates for new work programs. HW's Operations Manager is responsible for developing the annual budget. The two Cooperative Boards also input into the budgeting process and are responsible for signing-off the annual budget.</li> </ul> <p><b>Staff Resources and Training</b></p> <ul style="list-style-type: none"> <li>▪ The licensee currently has a total of 19 staff as at 19 November 2016. This consists of: <ul style="list-style-type: none"> <li>– General Manager</li> <li>– Operations Manager</li> <li>– Corporate Service Manager/Accountant</li> <li>– Asset Management Coordinator</li> <li>– Finance Officer</li> <li>– Customer Services Officer</li> <li>– Customer Service Officer (P/T)</li> <li>– Receptionist/Admin Officer</li> <li>– Water Services Coordinator</li> <li>– Operations Support</li> <li>– Works Supervisor</li> <li>– Water Services Manager</li> <li>– Water Controllers (6 No.)</li> <li>– Maintenance Crew (2 No.)</li> </ul> </li> <li>▪ The staff resources are considered adequate. HW does not have any current plans for additions to the current staffing base.</li> <li>▪ HR policies are included in the Policy Manual. HR functions are the responsibilities of the Operations Manager and the Corporate Services Manager/Accountant.</li> <li>▪ HW has a training matrix which is used to identify where training is required for specific job positions within the organisation. There is an annual staff review process when training needs can be discussed. There are also weekly meetings with the staff when upcoming training courses can be discussed. Recertification of specific skills is managed through the training matrix and recorded in the individual staff files.</li> <li>▪ HW uses external contractors for some specific operational tasks. Contractors are used for the channel spraying maintenance activities, earthworks and for electrical works.</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<b>Asset Maintenance – Overall Rating: B1</b>		
<ul style="list-style-type: none"> <li>▪ Maintenance policies and procedures are documented and linked to service levels required.</li> <li>▪ Regular inspections are undertaken of asset performance and condition.</li> <li>▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.</li> <li>▪ Failures are analysed and operational / maintenance plans adjusted where necessary.</li> <li>▪ Risk management is applied to priorities maintenance tasks.</li> <li>▪ Maintenance costs are measured and monitored.</li> </ul>	<p><b>Policies and Procedures</b></p> <ul style="list-style-type: none"> <li>▪ Refer to the Assets Operations section for the HW policies and procedures that apply to asset operations and asset maintenance activities.</li> </ul> <p><b>Asset Inspections</b></p> <ul style="list-style-type: none"> <li>▪ As noted previously, HW has a program for refurbishing and repairing eroded channels in the Collie River Irrigation District. The channel system is walked every year to inspect the assets and to identify repair work that needs to be carried out during the winter months after the end of the growing season. Above ground assets within the operating area are inspected on an ongoing basis by field staff during normal day-to-day inspection and maintenance activities.</li> <li>▪ HW has an ongoing cathodic protection annual inspection program for a small length of pipe in the network. The polypropylene pipe that makes up most of HW's pipelines is repaired on failure.</li> <li>▪ The Operations Plan in Section 4 of the AMP includes an overview of the major checks required during the annual asset inspection at the end of each irrigation season, and the checks required for the channels and waterways, flow control devices and structures and the access structure.</li> <li>▪ Inspection and maintenance tasks are scheduled by HW through their Greenbase asset management system. However, as noted in the previous section, no asset condition information is recorded in the AMS as HW considers that any asset requiring maintenance / renewal / replacement due to condition has a work order created to complete the work.</li> </ul> <p><b>Maintenance Plans</b></p> <ul style="list-style-type: none"> <li>▪ HW's Asset Maintenance Plan is set out in Section 5 of the AMP. This provides information on the maintenance required by each main asset type to ensure that the irrigation schemes continue to operate and provide the required levels of service.</li> <li>▪ An overview of the overall maintenance process and the frequency of the activities related to the Maintenance Plan is included in Section 5.1 of the AMP.</li> <li>▪ A Future Asset Maintenance (FAM) Report is completed for each asset inspection to identify maintenance work that needs to be completed. The details captured on the FAM are used to create the future work orders in the Greenbase AMS.</li> </ul> <p><b>Asset Failure Analysis</b></p>	<ul style="list-style-type: none"> <li>▪ Harvey Water Asset Management Plan , Augusts 2016</li> <li>▪ Harvey Water Risk Management Plan</li> <li>▪ Harvey Water Risk Registers</li> <li>▪ Future Asset Maintenance Report template</li> <li>▪ Water Controller Procedure Manual</li> <li>▪ Sandalwood Road Pumping Station Operations and Maintenance Manual</li> <li>▪ Five year forecast budget</li> <li>▪ Operations Budget 2016-17</li> <li>▪ OSI/BOB Systems</li> <li>▪ SCADA system</li> <li>▪ Greenbase AMS</li> <li>▪ MYOB finance system</li> <li>▪ Water Allocation Resources (WAR) Report</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ The asset inspections are used to analyse asset failures and to adjust maintenance plans when required. If appropriate, maintenance schedules are revised based on new asset failure. Emergency maintenance is the highest priority of work to be completed and lower priority repair work may be delayed if unplanned maintenance needs to be completed.</li> <li>▪ Asset failures on pipes are analysed to assess any patterns in the mode of failure. To assist with the monitoring of channel failures (from an operational view, rather than a physical failure), HW has installed a number of webcams in the field at strategic points so that it can remotely check that the channels are operating as expected.</li> </ul> <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>▪ HW's risk management in relation to its operational and maintenance tasks are included in the Risk Management Plan that is incorporated into the AMP.</li> <li>▪ Although the maintenance tasks are created with due dates, Greenbase is not used to prioritise maintenance tasks. Instead the priorities are discussed during the Asset Management team meetings to allow the upcoming tasks to be resourced.</li> </ul> <p><b>Maintenance Costs</b></p> <ul style="list-style-type: none"> <li>▪ Maintenance costs are included in the budget breakdowns. Forecasts and actual operating costs are reported to the Board on a monthly basis. The costs are also included in the annual financial accounts.</li> <li>▪ Maintenance costs are recorded in MYOB, the financial asset register by asset type. However, the costs are not categorised between planned and unplanned maintenance categories. As noted previously, internal costs, labour, plants etc., are not recorded against the assets and are recorded as separate line items in the finance system. This information is considered when HW develops its operating budgets but not against specific asset requirements. Labour costs can be tracked as they are recorded on timesheets daily.</li> <li>▪ As noted previously, the maintenance costs are not recorded in the asset register within the AMS, only within the financial asset register recorded in MYOB.</li> <li>▪ Maintenance budgets are reviewed monthly and reported to both Boards.</li> <li>▪ HW has a five year financial forecast that includes the maintenance/repair/renewals work that HW knows it has to complete based on its developed programs and schedules and proposed major works. The forecast is reviewed and updated annually.</li> <li>▪ An annual budget is prepared each year that confirms the work activities to be completed in the year and the forecasted costs. The basis of the budget is the historic operations and maintenance expenditure plus cost estimates for new work programs. HW's Operations Manager is responsible for developing the annual</li> </ul>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	budget. The two Cooperative Boards also input into the budgeting process and are responsible for signing-off the annual budget.	
<b>Asset Management Information System – Overall Rating: A1</b>		
<ul style="list-style-type: none"> <li>▪ Adequate system documentation for users and IT operators</li> <li>▪ Input controls include appropriate verification and validation of data entered into the system</li> <li>▪ Logical security access controls appear adequate, such as passwords</li> <li>▪ Physical security access controls appear adequate</li> <li>▪ Data backup procedures appear adequate</li> <li>▪ Key computations related to licensee performance reporting are materially accurate</li> <li>▪ Management reports appear adequate for the licensee to monitor licence obligations</li> </ul>	<p><b>Overview</b></p> <ul style="list-style-type: none"> <li>▪ The key asset information systems used by HW to manage its assets are:               <ul style="list-style-type: none"> <li>– Greenbase, the asset register and maintenance management system</li> <li>– MYOB, the financial asset register and finance system</li> <li>– ARC GIS, the GIS mapping system</li> <li>– CITECT, the SCADA system used to monitor and operate the assets with the schemes</li> <li>– OSI, the water ordering system</li> <li>– BOB, the customer service database module interfaced with OSI</li> <li>– The Asset Management Plan</li> <li>– The Water Allocation Resource Report, the spreadsheet used to record the overall business water allocation, dam storage levels and environmental flows and calculate the allocation of water provided to shareholders during the growing season.</li> </ul> </li> <li>▪ Manuals and other documentation are maintained for the key corporate systems and there is a documented procedure for the Water Allocation Resource Report.</li> </ul> <p><b>Data Entry and Validation</b></p> <ul style="list-style-type: none"> <li>▪ The Water Services team process the water delivery orders made by the customers every day. The OSI/BOB systems generates a report of the order summary for each operating area. Instructions for using the water ordering and control systems are included in a procedures manual.</li> <li>▪ The BOB system has built-in meter read checks that compare the meter read for the delivered water against the volume that was ordered by the customer and provides an alert if it is materially different. The checks also include verifying against each customer's allocation to ensure that this has not been exceeded.</li> <li>▪ The BOB system compiles meter read information which generates a file of the billing data in order to generate the monthly customer invoices. The meters are read monthly either manually or via the data loggers where these are installed. The billing information is exported to a third party service provider who prepares and posts out the invoices.</li> </ul> <p><b>Management Reports</b></p>	<ul style="list-style-type: none"> <li>▪ Harvey Water Asset Management Plan , August 2016</li> <li>▪ SWIMCO Policy Manual</li> <li>▪ Harvey Water Risk Management Plan</li> <li>▪ Water Controller Procedure Manual</li> <li>▪ Sandalwood Road Pumping Station Operations and Maintenance Manual</li> <li>▪ Five year forecast budget</li> <li>▪ Operations Budget 2016-17</li> <li>▪ OSI/BOB Systems</li> <li>▪ SCADA system</li> <li>▪ Greenbase AMS</li> <li>▪ MYOB finance system</li> <li>▪ ARC GIS</li> <li>▪ OSI/BOB water ordering systems</li> <li>▪ Water Allocation Resources (WAR) Report</li> <li>▪ Examples of monthly reports to the SWIMCO and SWIAC Boards</li> <li>▪ Performance Reports to the Authority for the year ended 30 June 2014, 2015 and 2016</li> <li>▪ Compliance Reports to the Authority for the year ended 30 June 2014, 2015 and 2016</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ HW reports monthly to the SWIMCO and SWIAC Boards. The reports includes profit and loss budget data, balance sheets, complaints, operating and performance statistics and environmental reporting. These are adequate to monitor licence obligations.</li> <li>▪ Performance standards have been reported to the ERA annually and signed-off by the General Manager.</li> </ul> <p><b>Security Access of System</b></p> <ul style="list-style-type: none"> <li>▪ OIC has access controls for its desktop PCs, the AMS and its SCADA desktop schematics. The access controls are position-based, allowing staff to be able to see the information that is appropriate to their roles. The AMS is only accessible to HW's operations staff.</li> <li>▪ A back-up is made of the server at the end of each day. An offsite back-up is also made daily on to tape which is stored in the bank in Harvey. Data back-up procedures appear adequate.</li> <li>▪ Fencing is installed around assets where required, including the pumping station, on parts of the channel system, particularly where there are safety reasons for the fencing. Solar panels have been bolted into frames at some locations due to previous panel installations being stolen.</li> <li>▪ Outlet valves at the dam sites, the pumping station and the pressure loggers installed in the piped irrigation systems have SCADA alarms related to performance triggers. The main office is the only site that has an intrusion alarm.</li> </ul>	
<b>Risk Management – Overall Rating: B1</b>		
<ul style="list-style-type: none"> <li>▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</li> <li>▪ Risks are documented in a risk register and treatment plans are actioned and monitored</li> <li>▪ The probability and consequences of asset failure are regularly assessed</li> </ul>	<ul style="list-style-type: none"> <li>▪ HW's Risk Management Policy is included in its Policy Manual (Policy reference 2/05). The Risk Management Policy sets out the objectives and provides the Policy Statement. The document also includes items related to the administrative implementation of the policy, including the Policy Implementation and specific roles/responsibilities for the Board, Audit Committee, General Manager, Supervisors/Managers and Staff/Contractors. The policy is reviewed annually in accordance with HW's Operational Plan and was last updated in July 2016.</li> <li>▪ We note that HW's Risk Management Policy has been developed in accordance with the Australian/New Zealand Standard 4360: 2004 Risk Management, which has been superseded by AS/NZS ISO 31000:2009, Risk management. We recommend that HW reviews its Risk Management Policy and supporting documentation against the newer ISO 31000:2009 at the next review of the risk management documentation.</li> <li>▪ The Board and Audit Committee jointly co-ordinate and facilitate risk management operations within the framework provided. They communicate performance expectations to management. The Board also supports the establishment of additional committees to ensure that risks associated with any significant changes in</li> </ul>	<ul style="list-style-type: none"> <li>▪ SWIMCO Risk Management Policy</li> <li>▪ HW Asset Management Plan</li> <li>▪ HW Risk Management Plan</li> <li>▪ HW Corporate Risk Management Plan</li> <li>▪ HW WHS Risk Register</li> <li>▪ Examples of Audit &amp; Risk Committee Meeting Minutes</li> </ul>



Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>operations are adequately addressed, for example a Steering Committee for a major pipeline project. Minutes are recorded at the Audit &amp; Risk Committee Meetings.</p> <ul style="list-style-type: none"> <li>▪ HW's Risk Management Plan is included in the Asset Management Plan and forms a significant part of the overall document. The Risk Management Plan provides the risk assessment guidelines, risks to the business, likelihood and consequence of the risks and combined qualitative level of risk analysis matrices, and assessments. The risk assessments have been provided in separate tables that assess the risks, risk levels and controls that may reduce or stop water distribution to irrigators, incidents/accidents involving personnel or the public, and other incidents/accidents. The Risk Management Plan that follows these sections includes text related to managing specific operational risks.</li> <li>▪ The Risk Management Plan has been updated since the last asset management review to include the recommendations that were made during that review. The Risk Management Plan is considered to be satisfactory. In addition to the asset-focused Risk Management Plan included in the AMP, HW also has a separate corporate Risk Management Plan that assesses the non-asset/operations risks associated with the business.</li> <li>▪ The Risk Management Plan is reviewed formally every three years in accordance with the review process included in the AMP, with informal reviews being conducted on an ongoing basis. The Risk Management Plan was last reviewed in August 2016.</li> <li>▪ HW also maintains a Workplace Health &amp; Safety register to log any hazards that have been identified and allow the risks to be scored.</li> </ul>	
<b>Contingency Planning – Overall Rating: C2</b>		
<ul style="list-style-type: none"> <li>▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</li> </ul>	<ul style="list-style-type: none"> <li>▪ As was noted in the previous asset management review, HW's Asset Management Plan contains a generic Incident Management Plan based on the various consequences of asset failures/ incidents, rather than for failures or incidents associated with specific assets.</li> <li>▪ The Incident Management 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.</li> <li>▪ No testing of the Incident Management Plan has been conducted during the review period. However, in January 2016 HW experienced a bush fire emergency in its area that tested the resilience of the business, the ability of the assets to cope with the conditions and the capability to operate the assets remotely. Beyond the minutes of management meetings, no information related to the formal assessment of the performance of the business during the emergency was carried out, which</li> </ul>	<ul style="list-style-type: none"> <li>▪ HW Asset Management Plan</li> <li>▪ Harvey Water – Fire Damaged Assets January 2016</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>represents a missed opportunity to have identified any specific improvement opportunities.</p> <ul style="list-style-type: none"> <li>▪ However, HW identified that it needs to develop a more detailed Emergency Response Plan as it has never had such a document for managing incidents such as bushfire, floods etc. We strongly support this action and have included it as a recommendation from this review. We would recommend that this Emergency Response Plan should also cover system/data reinstatement and remote operations of the assets should the emergency incident impact on HW's main office location.</li> <li>▪ HW consider that the irrigation water service it provides minimises the impact of major asset failure/outages. Piped systems in two of the irrigation districts reduce risks associated with channel systems, the growing season minimises impacts and allows for shutdown time to undertake repairs. On farm storage is able to be used by the major irrigators to mitigate any short-term water supply outages.</li> <li>▪ However, we recommend that HW looks to develop a more detailed Contingency Plan related to specific assets/operations. We would expect this Contingency Plan to cover events such as dam outage/shutdown, significant water quality issues, pumping station outage, channel burst, pipe crossing bursts and staff illness/pandemic. By developing more detailed and incident-specific contingency plans, we would expect HW to be able to more effectively and efficiently manage any incident should it occur and the development of these documents would also assist in succession planning for the future.</li> <li>▪ HW participated in a dam safety exercise during the review period that was organised by Water Corporation. This involved a desktop review and response for a potential scenario.</li> </ul>	
<b>Financial Planning – Overall Rating: B1</b>		
<ul style="list-style-type: none"> <li>▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives</li> <li>▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs</li> <li>▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</li> <li>▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</li> </ul>	<ul style="list-style-type: none"> <li>▪ Section 3 of HW's Policy Manual includes all of its finance policies. This includes policies for: <ul style="list-style-type: none"> <li>– Financial &amp; Purchasing Delegations</li> <li>– Investments</li> <li>– Trading Terms – Debtors</li> <li>– Service Charges</li> <li>– Pensioner Concessions</li> <li>– Purchasing</li> <li>– Credit Cards</li> <li>– Petty Cash</li> </ul> </li> <li>▪ As part of its annual budget, HW prepares a rolling five year expenditure plan that includes the proposed major new projects and any current multi-year projects.</li> </ul>	<ul style="list-style-type: none"> <li>▪ SWIMCO Policy Manual</li> <li>▪ HW Asset Management Plan</li> <li>▪ SWIMCO Budget 2016/17</li> <li>▪ SWIMCO Operations Budget 2016-17 – Forward Works – Continuous Improvements in Infrastructure and Asset Management</li> <li>▪ Examples of monthly Capex and Asset Management Reports</li> <li>▪ Examples of monthly reports to the SWIMCO &amp; SWIAC Boards</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<ul style="list-style-type: none"> <li>▪ The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services</li> <li>▪ Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary</li> </ul>	<ul style="list-style-type: none"> <li>▪ HW develops a five year operating budget based on the operating expenditure in the previous three years, with comments provided to record specific projects and work activities where the expenditure is being incurred.</li> <li>▪ HW also develops an overall five year business plan that shows the income from water sales and other revenue.</li> <li>▪ From the five year expenditure plans, HW develops an annual operating budget that includes the work to be completed in that year.</li> <li>▪ HW is self-funded at present.</li> <li>▪ A Forward Works Program is included in the Asset Management Plan. This only provides a brief summary of major capital projects to be completed during the year but does not provide any financial information. No information is provided on operating costs or financial management in the AMP. We recommend that HW consolidates information provided in the Asset Management Plan by including an overview of the five year expenditure plan that sets out the income and the operations and maintenance, administration and capital expenditure requirements of the service.</li> <li>▪ HW prepares monthly P&amp;L (Profit &amp; Loss) statements and balance sheets for the SWIMCO and SWIAC Boards as part of the overall annual whole-of-business budget process. The budget is split out to show sales and income against expenditure.</li> <li>▪ A monthly Capex and Asset Management Report is also prepared that provides details on the financial performance of capital works and asset management activities.</li> <li>▪ The financial budget includes O&amp;M, administration and capital expenditure costs for HW. Any capital expenditure for the irrigation assets is transferred straight into the SWIAC budget/forecasts when the expenditure relates to SWIAC-owned assets.</li> </ul>	
<b>Capital Expenditure Planning – Overall Rating: B1</b>		
<ul style="list-style-type: none"> <li>▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</li> <li>▪ The plan provides reasons for capital expenditure and timing of expenditure</li> <li>▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ As noted above, details of the Forward Works Program for the current year are included in Section 7 of HW's Asset management Plan. However, this provides a list of the projects, no details or financial information is included in the AMP. We have recommended in the Financial Planning section that HW consolidates the information included in its AMP to provide for more details on the proposed expenditure for its capital works program.</li> <li>▪ The forecast capital expenditure is included in the overall five year financial plan. 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, replacement of non-performing assets and acquisition of new assets to increase services and/or operating efficiency.</li> <li>▪ During preparation of the annual capital expenditure estimate, the rolling forward five year estimate of capital and maintenance expenditure is also prepared for</li> </ul>	<ul style="list-style-type: none"> <li>▪ SWIMCO Policy Manual</li> <li>▪ HW Asset Management Plan</li> <li>▪ SWIMCO Budget 2016/17</li> <li>▪ SWIMCO Operations Budget 2016-17 – Forward Works – Continuous Improvements in Infrastructure and Asset Management</li> <li>▪ Examples of monthly Capex and Asset Management Reports</li> <li>▪ Examples of monthly reports to the SWIMCO &amp; SWIAC Boards</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<ul style="list-style-type: none"> <li>▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned</li> </ul>	<p>incorporation in the annual financial plan. The annual budget is used to predict the expenditure on capital projects in the months where the work is expected to take place.</p> <ul style="list-style-type: none"> <li>▪ Asset condition and performance is used to develop the capital program although some assets (e.g. meters) are replaced on fail. Asset condition and performance are summarised in Section 2 of the AMP. This includes the performance and condition ratings used by HW to record general condition and also more specific asset type condition information (e.g. for channels, dethridge wheels, pipelines). These condition ratings are used during the asset inspection activities carried out by HW. The asset condition and performance is updated in the AMP in accordance with the document's review requirements.</li> <li>▪ Although HW records asset life information and replacement cost data, the Greenbase AMS is not able to develop cost replacement profiles.</li> <li>▪ HW has a good knowledge of the assets that need to be replaced. It has a number of advantages over the more traditional water service providers in that many of the assets are above ground and can be more easily inspected and the water distribution staff are more actively engaged with the assets in providing the service. In addition, HW's customers provide feedback on asset condition and performance for the assets that are adjacent to their property and which are directly responsible for delivering their water orders.</li> </ul>	
<p><b>Review of Asset Management System – Overall Rating: A1</b></p>		
<ul style="list-style-type: none"> <li>▪ A review process is in place to ensure that the asset management plan and asset management system described therein are kept current</li> <li>▪ Independent reviews (e.g., internal audit) are performed of the asset management system</li> </ul>	<ul style="list-style-type: none"> <li>▪ HW's AMS has been in place since 2000.</li> <li>▪ External review of the AMS is undertaken as part of Clause 20 of licensee's licence under the Act. The last review was undertaken for the period 1 January 2010 to 17 November 2013. No other intermediary reviews have been undertaken between the previous review and this review which covers the period 18 November 2013 to 30 November 2016.</li> <li>▪ An informal review of the AMS and GIS was conducted by a previous staff member in 2015 but no reviews have been conducted during 2016.</li> <li>▪ HW has reported to the ERA on progress against the actions and recommendations identified in the previous operational licence audit and asset management system review.</li> <li>▪ The AMS is reviewed and updated annually as part of the budget process. The AMS was last reviewed in April 2016.</li> <li>▪ The review process for the Asset Management Plan is set out in Section 8 of the document. This provides the recommended review times for the different components of the AMP and HW has reviewed the AMP in accordance with the requirements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ HW Asset Management Plan</li> <li>▪ SWIMCO Policies Manual</li> <li>▪ South West Irrigation Management Cooperative Limited (Trading as Harvey Water) Operational Audit and Asset Management System Review, Audit Report, 5 August 2014</li> </ul>

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> <li>▪ Although HW's AMS does have some limitations (e.g. lack of automated reminders for work orders, only high level cost data is recorded in the system, no capability to develop cost replacement profiles from the system, channel system and pipelines are recorded as single asset entries rather than being broken up into separate channel spurs or lengths of pipe) the AMS is generally considered fit-for-purpose and suitable for the organisation and for the assets HW operates and maintains.</li> <li>▪ HW does not have any ISO accreditation (e.g. Quality Management, Environmental Management and OH&amp;S Management).</li> <li>▪ As noted previously, HW has a Water Resource Management Operating Strategy that was developed with the DoW that sets out the requirements for environmental flows. This document forms the overall day-to-day operating strategy manual and HW reports to the DoW under the requirements of the Operating Strategy. There has not been a review of this strategy during the review period.</li> </ul>	

# 7 Recommendations

## 7.1 Operational Audit

**Table 7-1 Table of Current Non Audit Compliances and Recommendations**

A. Resolved during current audit period			
Manual Ref.	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Date Resolved (& management action taken)	Auditor's Comments
B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
A1/2017	<p><b>B2</b> <i>Water Services Act 2012, Section 12, Licence Clause 3.1.1</i> <i>Subject to any modifications or exemptions granted pursuant to the Act and this licence, the licensee must comply with any applicable legislation.</i></p> <p>Licensee has not complied with all applicable legislation.</p> <p>We have identified a number of non-compliances with applicable legislation as follows:</p> <ul style="list-style-type: none"> <li>▪ Section 27 – Requirements for Licences (Obligation 11)</li> <li>▪ Section 29 – Duties of the Licensee (Obligation 12)</li> </ul>	Refer to the relevant recommendations included in this table.	
A2/2017	<p><b>B2</b> <i>Water Services Act 2012, Section 27, Licence Clause 3.1.1</i> <i>The licensee must comply with the code of conduct that may be made by the ERA to the extent to which it applies to the licensee and is not inconsistent with the licence.</i></p> <p>Licensee has not complied with all of the obligations of the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i></p>	We recommend that the licensee address the recommendations A7/2017 to A24/2017.	
A3/2017	<p><b>B2</b> <i>Water Services Act 2012, Section 29, Licence Clause 3.1.1</i> <i>The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.</i></p>	Refer to A1/2017	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	The licensee has not complied with all the duties imposed on it by the Act as it was unable to meet all Code requirements.		
A4/2017	<p><i>NR</i> <i>Water Services Act 2012, Section 129(5) &amp; Section 173(4), Section 174(3)</i></p> <p>Section 3.3 of the Customer Service Charter, January 2014 for its members informs customers that "We will provide written notice at least 14 days in advance when it is necessary to enter onto private land for planned major construction works. However, because of the nature of irrigation operations, and the frequent need to enter onto our customer's properties, we are not always able to advise of entry onto your land for routine operations and maintenance. We will endeavour to contact you in person prior to entry. Should you not be present, we will leave a calling card or send an SMS message to advise of our visit".</p> <p>We note that this clause is not included in the separate customer charter for RWS customers who are smallholders supplied with water for stock and garden purposes.</p>	We recommend that the licensee reviews and updates this Charter document to inform the RWS customers of this information.	
A5/2017	<p><i>NR</i> <i>Water Services Act 2012, Section 174(3)</i></p> <p>Although the Rules of the two Cooperatives provide detailed information related to the obligations and responsibilities of the shareholder members, there is very little specific information related to the obligations of the licensee and members in specific relationship to the management of the assets and the associated operation and maintenance activities.</p>	Although there are obviously mutual benefits to both the licensee and customers through the success of a cooperative, we recommend that the licensee considers an update to the Rules of the two cooperatives to set out the obligations and responsibilities related to the licensee being able to access the assets located on its customers' properties.	
A6/2017	<p><i>NR</i> <i>Water Services Act 2012, Section 176(1), Section 176(3), Section 181 &amp; Section 186</i></p> <p>The licensee's Workplace Health and Safety handbook provides some information on staff responsibilities but there is no specific policy related to staff conduct.</p> <p>The licensee has a Code of Conduct Policy include in its Policy manual but this is aimed more for conduct of directors and executive staff rather than being for field or administrative staff communicating and dealing with the public and/or the licensee's customers.</p>	Based on our observations and our comments for the obligations related to providing notice and entry to customer property, we recommend that the licensee develops policies for Powers of Entry and Staff Conduct. We would also recommend that these policies include references to the requirements for certificate of authority (obligation 55) to applying and executing warrants (obligation 58).	
A7/2017	<i>B2</i>	We recommend that the licensee adds the Conditions of Connection, Piping	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	<p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 7</i></p> <p>Although the website informs customers that they can contact Harvey Water to request a 'Conditions of Connection' information pack, the information available on the licensee's website does not include the Conditions of Connection, Piping Policies or RWS Connection Agreement documents which include information related to the prescribed matters under this clause. As a result, the licensee is not fully compliant with the requirements of this clause.</p>	<p>Policies or RWS Connection Agreement documents to its website in order to meet the requirements of the obligation.</p>	
A8/2017	<p><i>B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 12(1)</i></p> <p>The RWS invoices do not include:</p> <ul style="list-style-type: none"> <li>▪ the licensee's website address</li> <li>▪ contact details for account, payment and general enquiries for use by customers with hearing or speech impairment</li> <li>▪ a statement that the website contains information about estimates, meter reading and testing, complaints and review.</li> </ul> <p>We consider this to be a minor non-compliance in relation to the obligations for the licensee's non-member customers.</p>	<p>We recommend that the licensee reviews its invoice template for non-member customers and revises the information provided to include these omissions.</p>	
A9/2017	<p><i>B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 12(2)</i></p> <p>The RWS invoices do not include:</p> <ul style="list-style-type: none"> <li>▪ whether the bill was based on — <ul style="list-style-type: none"> <li>– a meter reading; or</li> <li>– an estimate of the quantity of water supplied or the quantity of wastewater discharged</li> </ul> </li> <li>▪ the number of days to which the bill applies</li> </ul> <p>We consider this to be a minor non-compliance in relation to the obligations for the licensee's non-member customers.</p>	<p>We recommend that the licensee reviews its invoice template for non-member customers and revises the information provided to include these omissions.</p>	
A10/2017	<p><i>B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 12(3)</i></p> <p>We observed that the invoices do not include:</p> <ul style="list-style-type: none"> <li>▪ that the customer may request a meter reading and bill to determine outstanding charges for a period that is not the same as the usual billing cycle</li> </ul>	<p>We recommend that the licensee reviews its invoice template for non-member customers and revises the information provided to include these omissions.</p>	



B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	<ul style="list-style-type: none"> <li>▪ that the customer may request a meter reading and revised bill if the customer disputes an estimate on which a bill is based and that if the customer so requests, information about the fees that apply</li> <li>▪ that the customer may request, in accordance with the regulations mentioned in section 79(3)(b), the testing of a meter and that if the customer so requests, information</li> <li>▪ about the fees that apply and when the fees may be reimbursed in accordance with the regulations mentioned in section 79(3)(c)</li> <li>▪ that the bill can be reviewed in accordance with the licensee's review procedure mentioned in clause 18</li> <li>▪ that complaints about the provision of a water service by the licensee or a failure by the licensee to provide a water service can be made in accordance with the licensee's complaints procedure mentioned in clause 35.</li> </ul> <p>We consider this to be a minor non-compliance in relation to the obligations for the licensee's non-member customers.</p>		
A11/2017	<p><i>B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 15</i></p> <p>No information on the licensee's Leaking or Failure of Assets policy is included in the Harvey Water Piping Policies, Conditions of Connection, Connections Agreement or Customers Services Charter.</p> <p>As the only information is in the internal Policy Manual and is not publically available, we consider that this is a minor non-compliance.</p>	We recommend that the licensee looks to include the details of the policy in one of its publically available documents.	
A12/2017	<p><i>NR</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 16(2)</i></p> <p>No information related to the process for undercharging in bills is included in the Harvey Water Piping Policies, Conditions of Connection, Connections Agreement or Customers Services Charter.</p>	We recommend that the licensee reviews the information that is currently made available to its non-member customers and looks to provide more information on the processes related to estimation of consumption, and undercharging and overcharging of bills.	
A13/2017	<p><i>B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(2), Clause 18(3) and (6), Clause 18(4)</i></p>	For the non-member customers that the Code applies to, we recommend that the licensee provides step-by-step information to how the licensee	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	No information is made publically available relating to a written procedure for the review of a bill on the customer's request. As such, we consider that this is a minor non-compliance with the obligation.	investigates any faults with the infrastructure that is used as the basis for billing these customers and how the invoices will be processed during the investigation and rectification.	
A14/2017	<p><i>B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(4) and Clause 35(4)</i></p> <p>We note that although both the Harvey Water and RWS Customer Charters includes a section on Customer Contact that outlines the processes for dealing with complaints, the licensee has referenced and included the contact details for referring complaints to the Department of Water. This information is now out of date.</p>	We recommend that the reference and the contact details included in the two Customer Service Charters should to be updated to provide the details of the Energy and Water Ombudsman.	
A15/2017	<p><i>B2</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 21(1) and Clause 22</i></p> <p>Under the Water Services Act 2012 definition, a customer is 'a person to whom water services are provided by the licensee or who is entitled to the provision of water services by the licensee, other than a person who is a member of the licensee'.</p> <p>Therefore, the licensee does not have to make these payment methods available to its member customers but does to its non-member customers.</p> <p>As a result the licensee is not in compliance with all of the payment method requirements included in the Code, with regard to its non-member customers.</p>	<p>We are required under the audit guidelines to recommend that the licensee address the observed non-compliance and provide direct debit and Centrepay options for payment from non-member customers.</p> <p>We note, however, that it may be impractical for the licensee to do so given the type of business operated by the licensee and the order of magnitude of the invoices that customers pay.</p> <p>The licensee has a relatively small customer base and the fees associated with the implementation of a direct debit payments may not make this a financially viable option for the licensee. Centrepay is unlikely to be an appropriate payment method for an irrigation business.</p>	
A16/2017	<p><i>NR</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 24</i></p> <p>Any requests for changes have to be provided in writing to allow the changes to be made in the licensee's billing system. However, no confirmation from the third party receiving the redirected invoices is required to be submitted.</p>	We recommend that the licensee reviews its current processes to ascertain whether requiring third party confirmation for redirection of bills would be appropriate.	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
A17/2017	<p><i>NP1</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 27(2)</i></p> <p>Section 3 in the 'What We Ask In Return' section in both the Harvey Water Customer Service Charter and the RWS Customer Service Charter informs customers 'Let us know before the due date if you are having any difficulty in paying any amounts charged so that we may work with you to set up an agreed payment plan'.</p> <p>However, we note that this policy is not set out in the Trading Terms - Debtors Policy.</p>	<p>We recommend that the licensee adds additional text to the Trading Terms - Debtors Policy to specify that a payment arrangement does not incur interest or additional fees if the customer makes their payment in full and on time.</p> <p>Payment plans are not advertised on the non-member invoices and we recommend that this information is added.</p> <p>We would also recommend that additional text is added to the Customer Billing section on the Customer Service Charters to inform customers of these matters.</p>	
A18/2017	<p><i>Not Rated</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 28(1)</i></p> <p>Although the Trading Terms - Debtors Policy defines the course of debt management actions, it does not include any actions to inform the land owner of any payment arrangements entered into by the tenant or of any late payments incurred by a customer who is not the owner of the land.</p> <p>However, the licensee does not inform the owners of the land regarding matters relating to tenant customers experiencing payment difficulties or financial hardship. This is because the licensee consider that the onus is on the land owner to inform the licensee if the property has been leased.</p>	<p>It is a requirement under the Water Code for licensees to ensure a land owner is aware of a proposed payment plan before the plan is entered into, we recommend that the licensee develops a process and includes information related to this obligation for informing the owners of the land for RWS tenant customers in the Trading Terms – Debtors Policy.</p>	
A19/2017	<p><i>NP1</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clauses 28(4) and (5)</i></p> <p>Information regarding the payment plans, arrangements and other assistance that is available to customers is provided in the Customer Charters.</p> <p>However, we note that this information is not included on the back of the customer invoices sent out to customers.</p>	<p>We recommend that the licensee informs customers regarding the payment plans, arrangements and other assistance that may be available to them on the back of the invoices.</p>	
A20/2017	<p><i>NP1</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clauses 35(1)</i></p> <p>The licensee has a specific Procedures for Customer Complainants Process and Reporting document that sets out the</p>	<p>We recommend that the licensee revises the procedure to include references to complaints received through other medium.</p>	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	<p>processes and procedures for recording and resolving complaints, provides information on the designated complaint handling officers and also sets out the complaint register reporting processes.</p> <p>Although complaints may be made in writing, by telephone, in person at the licensee's office by email, we note that the licensee's procedure document only references written complaints.</p>		
A21/2017	<p><b>B2</b> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clauses 35(4)</i></p> <p>We note that the information provided to the non-member RWS customers in the RWS Customer Service Charter does not provide these customers with details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.</p> <p>We consider that these omissions represent a non-compliance with the obligation for its non-member customers.</p>	<p>We recommend that the licensee reviews its Customer Service Charters and revises at least the RWS Customer Service Charter to be in accordance with the requirements under this obligation.</p>	
A22/2017	<p><b>B2</b> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(6)</i></p> <p>Clause 35(6) requires the licensee's complaints procedure to publically available and the information made available by the licensee does not meet the requirements of the obligation. This is a minor non-compliance.</p>	<p>We recommend that the licensee makes its complaints procedure publically available.</p>	
A23/2017	<p><b>NR</b> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 36(1)</i></p> <p>The licensee does not advertise the specified services as being available to customers. The licensee considers that if they were asked to provide them by a customer, they would ensure that the request was completed and at no charge to the customer.</p>	<p>We recommend that the licensee looks to advertise these specific services in the next update of RWS Customer Service Charter and information that it provides to its By Law customers. This information could also be provided on the back of customer invoices.</p>	
A24/2017	<p><b>B2</b> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 37(1)(b),</i></p>	<p>We recommend that the licensee makes the information required under these clauses available on</p>	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	<p><i>Clause 37(1)(d), Clause 37(1)(g), Clause 31(1)(h) and Clause 37(2)</i></p> <p>Bill payment methods, the services provided under clause 36 of the Code, the information related to the licensee cutting off the water supply or reducing the rate of supply and the information related to estimated bills, customer requests for meter reads, meter testing and the review and complaints procedure requirements under clause 37(2) are not included on the licensee's website in accordance with the definition of 'publically available'.</p>	its website in order to comply with the obligations.	
A25/2017	<p><i>B2</i></p> <p><i>Water Services Act 2012, Section 12, Operating Licence Clause 3.8.2 and Clause 3.8.3</i></p> <p>Although the licensee has developed a Reporting and Communication Requirements matrix which sets out its reporting obligations throughout the year and, in some cases, Outlook reminders have been set up to automatically email reminders to the staff responsible for the reporting/communication actions, the 2014/15 and 2015/16 compliance reports were submitted to the ERA after the due date and the date that the 2013/14 performance report was submitted could not be confirmed.</p>	We recommend that the licensee reviews the Outlook reminders it has set-up and implements automatic reminders for the remaining obligations to ensure that all reporting deadlines are met in the future and that copies of the submitted information are maintained on record.	

## 7.2 Asset Management System Review

**Table 7-2 Table of Current Review Asset System Deficiencies/Recommendations**

A. Resolved during current audit period			
Manual Ref.	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Date Resolved (& management action taken)	Auditor's Comments
B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
R1/2017	<p><i>B1</i></p> <p><i>Asset Planning - Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</i></p>	<ul style="list-style-type: none"> <li>▪ We recommend that HW develops an overall Asset Management Policy for inclusion in its Policy Manual. The policy should provide the over-arching overarching</li> </ul>	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	<p>HW has a Policy Manual for the South West Irrigation Management Cooperative (SWIMCO) with a focus on operations and administration. There is no policy manual for the South West Irrigation Asset Cooperative who are the owners of the majority of HW's assets. As such, there are limited policies related to the assets and to asset management.</p>	<p>intentions and guiding principles for the organisation's asset management, enable the development and implementation of the Asset Management Plan and other asset management documentation and set out commitments to funding infrastructure renewal requirements, legislative compliance and to the continual improvement of organisation's asset management performance.</p> <ul style="list-style-type: none"> <li>▪ We would also recommend that HW develops further policy documents for:               <ul style="list-style-type: none"> <li>– Customer Service Charges and Supply of Water for non-pipe customers (as the Supply of Water in the Harvey Pipe Scheme Policy is only for piped customers)</li> <li>– Communication with Stakeholders</li> <li>– Irrigation System Expansion and Enhancement</li> <li>– Non-members</li> <li>– Irrigator Infrastructure (to set-out any infrastructure requirements for member customers, e.g. maintenance of connecting customer assets, head ditches, channels etc.)</li> </ul> </li> </ul>	
R2/2017	<p><i>B1 Asset Planning - Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</i></p> <p>HW has a Policy Manual for the South West Irrigation Management Cooperative (SWIMCO) with a focus on operations and administration. There is no policy manual for the South West Irrigation Asset Cooperative who are the owners of the majority of HW's assets. As such, there are limited policies</p>	<p>We have recommend that HW develops an overall Asset Management Policy for inclusion in its Policy Manual and recommend that this includes Asset Creation and Asset Disposal Policies.</p>	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	related to the assets and to asset management.		
R3/2017	<p><i>B1</i> <i>Asset Planning – Asset Management Plan covers key requirements</i></p> <p>HW has an Asset Management - Asset Creation document (October 2010, reviewed in February 2015) that notes in the header that it is part of the Harvey Water Asset Management Plan'. However, we note that the Asset Creation document is not referenced or mentioned in the AMP document.</p>	We would recommend as a minimum that HW includes a reference to the Asset Creation document in the next update of the AMP.	
R4/2017	<p><i>B1</i> <i>Asset Planning – Asset Management Plan covers key requirements</i></p> <p>HW has an Asset Management - Asset Disposal document (October 2010, reviewed in February 2015) that notes in the header that it is part of the Harvey Water Asset Management Plan'. However, we note that the Asset Disposal document is not referenced or mentioned in the AMP document.</p>	We would recommend as a minimum that HW includes a reference to the Asset Disposal document in the next update of the AMP.	
R5/2017	<p><i>B1</i> <i>Asset Planning – Asset Management Plan covers key requirements</i></p> <p>We note that HW has a Strategic Plan covering 2011-2016 but the strategic themes, objectives, initiatives and measures of success in achieving the objectives are not referenced in the AMP.</p>	We recommend that in the next review of the AMP, HW includes references to the information in the Strategic Plan as these items have a direct relationship on how HW manages its assets and this should be reflected in the AMP.	
R6/2017	<p><i>B1</i> <i>Asset Operations - Operational policies and procedures are documented and linked to service levels required</i></p> <p>We note that the AMP does not provide specific details related to the day-to-day operations of the irrigation districts, the water ordering/demand management activities, the extent and management of the SCADA system, or the utilisation of the Bengier pumping station.</p>	We recommend that HW expands its AMP when next reviewed to provide more details related to the operation of its assets or to provide references to the documents where this information is recorded, e.g. Water Controller Procedure Manual, Sandalwood Road Pumping Station Operations and Maintenance Manual.	
R7/2017	<p><i>B1</i> <i>Asset Operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</i></p>	We recommend that if HW is collecting regular asset condition information, it should record this information so that a better knowledge of the condition of the assets can be tracked.	

B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	<p>No asset condition information is recorded in the AMS as HW considers that although it collects asset condition information during annual inspections of the channels system and in day-to-day inspection and maintenance activities of the other above ground assets, any asset requiring maintenance/renewal/replacement due to condition has a work order created to complete the work.</p> <p>Asset condition is included in Section 2 of the AMP along with the condition ratings used by HW for its inspections. The information in the AMP provides an overview of the general condition for each asset type based on the most recent inspection program. Asset condition is generally considered to be good and this was evidenced during the site inspections that were completed as part of the review.</p>		
R8/2017	<p><b>B1</b> <i>Risk Management - Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</i></p> <p>We note that HW's Risk Management Policy has been developed in accordance with the Australian/New Zealand Standard 4360: 2004 Risk Management, which has been superseded by AS/NZS ISO 31000:2009, Risk management.</p>	<p>We recommend that HW reviews its Risk Management Policy and supporting documentation against the newer ISO 31000:2009 at the next review of the risk management documentation.</p>	
R9/2017	<p><b>C2</b> <i>Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</i></p> <p>As was noted in the previous asset management review, HW's Asset Management Plan contains a generic Incident Management Plan based on the various consequences of asset failures/incidents, rather than for failures or incidents associated with specific assets.</p>	<p>Based on its experiences in the January 2016 bush fire emergency in its area, HW identified that it needs to develop a more detailed Emergency Response Plan as it has never had such a document for managing incidents such as bushfire, floods etc.</p> <p>We strongly support this action and have included it as a recommendation from this review. We would recommend that this Emergency Response Plan should also cover system/data reinstatement and remote operations of the assets should the emergency incident impact on HW's main office location.</p>	
R10/2017	<p><b>C2</b> <i>Contingency Planning - Contingency plans are documented, understood and tested to</i></p>	<p>We recommend that HW looks to develop a more detailed Contingency Plan</p>	



B. Unresolved at end of current Audit period			
Reference (No./Year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period
	<p><i>confirm their operability and to cover higher risks</i></p> <p>HW consider that the irrigation water service it provides minimises the impact of major asset failure/outages, with the piped systems in two of the irrigation districts reducing risks associated with channel systems, the growing season minimising impacts and also allowing for shutdown time to undertake repairs and on farm storage being able to be used by the major irrigators to mitigate any short-term water supply outages.</p>	<p>related to specific assets/operations.</p> <p>We would expect this Contingency Plan to cover events such as dam outage/shutdown, significant water quality issues, pumping station outage, channel burst, pipe crossing bursts and staff illness/pandemic.</p> <p>By developing more detailed and incident-specific contingency plans, we would expect HW to be able to more effectively and efficiently manage any incident should it occur and the development of these documents would also assist in succession planning for the future.</p>	
R11/2017	<p><b>B1</b></p> <p><i>Financial Planning - The financial plan states the financial objectives and strategies and actions to achieve the objectives</i></p> <p>A Forward Works Program is included in the Asset Management Plan. This only provides a brief summary of major capital projects to be completed during the year but does not provide any financial information. No information is provided on operating costs or financial management in the AMP.</p>	<p>We recommend that HW consolidates information provided in the Asset Management Plan by including an overview of the five year expenditure plan that sets out the income and the operations and maintenance, administration and capital expenditure requirements of the service.</p>	
R12/2017	<p><b>B1</b></p> <p><i>Capital Expenditure Planning - There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</i></p> <p>As noted above, details of the Forward Works Program for the current year are included in Section 7 of HW's Asset management Plan. However, this provides a list of the projects, no details or financial information is included in the AMP.</p>	<p>We recommend that HW consolidates the information included in its AMP to provide for more details on the proposed expenditure for its capital works program.</p>	

## 8 Confirmation of the Audit/Review

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I confirm that the audit/review carried out at Harvey Water on 12 – 14 December 2016 and recorded in this report is an accurate presentation of our findings and opinions.

*J Edwards*

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18 March 2017

Harvey Water  
Operational Audit and  
Asset Management  
System Review

APPENDIX

A

RISK MANAGEMENT  
FRAMEWORK



## Types of Compliance Risk

Type of Risk	Examples
Supply quality and reliability	Delays in new connections, excessive supply interruptions, supply quality standards not met.
Consumer protection	Customer service levels not met, incorrect bills, disconnection and reconnection standards not met, customers unable to access financial hardship assistance.
Legislation/licence	Breach of industry Acts, regulations and codes, contravention of licence conditions.

## Risk Assessment Rating Scales

The consequence, likelihood, inherent risk and adequacy of internal controls are assessed using a 3-point rating scale as described below. The rating scale is as per the Economic Regulation Authority's Audit and Review Guidelines: Water Licences, July 2014.

### Consequence Rating

The consequence rating scale is outlined below.

Rating	Supply Quality and Reliability	Consumer Protection	Breaches of Legislation or Other Licence Conditions
1 Minor	Breaches of supply quality or reliability standards – affecting small number of customers.  Delays in providing a small proportion of new connections.	Customer complaints procedures not followed in a few instances.  Small percentage of disconnections or reconnections not completed on time.  Small percentage of bills not issued on time.	Legislative obligations or licence conditions not fully complied with, minor impact on customers or third parties.  Compliance framework generally fit for purpose and operating effectively.
2 Moderate	Supply quality breach events that significantly impact customers; large number of customers affected and/or extended duration and/or damage to customer equipment.  Supply interruptions affecting significant proportion of customers on the network for up to one day.  Significant number of customers experiencing excessive number of interruptions per annum.  Significant percentage of new connections not provided on time/ some customers experiencing extended delays.	Significant percentage of complaints not being correctly handled.  Customers not receiving correct advice regarding financial hardship.  Significant percentage of bills not issued on time.  Ongoing instances of disconnections and reconnections not completed on time, remedial actions not being taken or proving ineffective. Instances of wrongful disconnection.	More widespread breaches of legislative obligations or licence conditions over time.  Compliance framework requires improvement to meet minimum standards.
3 Major	Supply interruptions affecting significant proportion of customers on the network for more than one day.  Majority of new connections not completed on time/ large number of customers experiencing extended delays.	Significant failure of one or more customer protection processes leading to ongoing breaches of standards.  Ongoing instances of wrongful disconnection.	Wilful breach of legislative obligation or licence condition.  Widespread and/or ongoing breaches of legislative obligations or licence conditions.  Compliance framework not fit for purpose, requires significant improvement.

### Likelihood Ratings

The likelihood rating scale is described below.

Level	Description
A	Likely Non-compliance is expected to occur at least once or twice a year
B	Probable Non-compliance is expected to occur once every three years
C	Unlikely Non-compliance is expected to occur once every 10 years or longer

### Inherent Risk Assessment Rating and Description

The inherent risk rating is based on the combined consequence and likelihood rating. The inherent risk assessment rating scale and descriptions are outlined below.

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Probable	Low	Medium	High
Unlikely	Low	Medium	High

Level	Description
High	Likely to cause major damage, disruption or breach of licence obligations
Medium	Unlikely to cause major damage but may threaten the efficiency and effectiveness of service
Low	Unlikely to occur and consequences are relatively minor

### Adequacy Ratings for Existing Controls

The adequacy of existing internal controls is also assessed based on a 3-point scale as indicated below.

Level	Description
Strong	Controls that mitigate the identified risks to an appropriate level
Moderate	Controls that only cover significant risks; improvement required
Weak	Controls are weak or non-existent and have minimal impact on the risks

### Assessment of Audit Priority

The assessment of audit priority is used to determine the audit objectives, the nature of audit testing and the extent of audit testing required. It combines the inherent risk and risk control adequacy rating to determine the priority level.

Inherent Risk	Adequacy of Existing Controls		
	Weak	Medium	Strong
High	Audit Priority 1	Audit Priority 2	
Medium	Audit Priority 3		Audit Priority 4
Low	Audit Priority 5		

Harvey Water  
Operational Audit and  
Asset Management  
System Review

APPENDIX

B

ASSET MANAGEMENT  
PERFORMANCE  
RATING DEFINITIONS



### Compliance Assessment Rating Scale

In accordance with the Economic Regulation Authority’s Audit and Review Guidelines: Water Licences, July 2014, a combination of audit compliance and controls ratings have been adopted to assess the licensee’s compliance against each licence condition. The rating scale and description of compliance is outlined below. These are based on the Economic Regulation Authority’s Audit and Review Guidelines: Water Licences, July 2014.

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties

### Asset Management Review Rating Scales

The asset management review utilises a combination of asset management adequacy ratings and asset management performance ratings, which are outlined below. These are based on the Economic Regulation Authority’s Audit and Review Guidelines: Water Licences, July 2014.

#### Asset Management Adequacy Ratings

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

Rating	Description	Criteria
		<ul style="list-style-type: none"> <li>▪ The asset management information system is not fit for purpose (taking into consideration the assets that are being managed).</li> </ul>

### Asset Management Performance Ratings

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