



Notice

16 August 2019

Gascoyne Water Co-operative Limited

2019 Audit and review

The Economic Regulation Authority has published the [2019 operational audit and asset management system review report](#) and [post-audit and post-review implementation plan](#) for Gascoyne Water Co-operative Limited's water services licence WL38.

Gascoyne Water provides irrigation water services to local growers and non-potable water to community lifestyle blocks in the Carnarvon area.

The ERA's decision

The ERA considers that Gascoyne Water's compliance with its licence obligations is adequate and it has an effective asset management system.

The ERA has decided to maintain the audit period at 36 months and to increase the review period from 24 to 36 months. The next audit and review will cover 1 May 2019 to 30 April 2022, with the report due to be provided by 31 July 2022.

Background to the ERA's decision

Audit findings

The auditor assessed 95 licence obligations applicable to Gascoyne Water's licence and found:

- 10 were rated A1 (adequate controls, compliant)
- two were rated A2 (adequate controls, minor non-compliance)
- 14 were rated A/NR (adequate controls, not rated)
- three were rated B1 (generally adequate controls, compliant)
- 11 were rated D1 (no controls evident, compliant)
- three were rated D2 (no controls evident, minor non-compliance)
- 27 were rated D/NR (no controls evident, not rated)
- two were rated NP/1 (not performed, compliant)
- 17 were rated NP/NR (not performed, not rated)
- five were rated NA/NA (not applicable)

- one was rated NA/NR (not rated, not applicable).

The audit found five non-compliances and 41 controls deficiencies. Three of the non-compliances were resolved during the audit period.

Audit recommendations

The auditor made three recommendations. Two related to practices around entry of property to conduct works and maintenance. One related to inadequacies in Gascoyne Water's policies and procedures manual, which accounted for the 41 controls deficiencies.

The post-audit implementation plan states that Gascoyne Water will address the audit recommendations between now and 31 December 2019.

Review ratings

The assessment of the 12 asset management components prescribed in the ERA's *2019 Audit and Review Guidelines: Water Licences*¹ found:

- Six components were rated A1 (documentation adequately defined, performing effectively).
- Three components were rated A2 (documentation adequately defined, performance requires some improvement).
- One component was rated B1 (documentation requires some improvement, performing effectively).
- One component was rated B2 (documentation requires some improvement, performance requires some improvement).
- One component was rated C3 (documentation and performance require significant improvement).

Review recommendations

The auditor made one recommendation, which addresses the asset management deficiency for capital expenditure planning.

The post-review implementation plan states that Gascoyne Water will address the recommendation between now and 31 December 2019.

The ERA's response to the audit and review

Audit

The ERA considers Gascoyne Water's compliance with its licence obligations was adequate.

Only two of the five non-compliances directly affected customers, with Gascoyne Water not providing the required 48 hours advance written notice of entry to customer land. However, the audit did not find evidence that customers were unhappy with the verbal notifications provided by Gascoyne Water. The remaining three non-compliances were relatively minor administrative issues that were resolved during the audit period.

¹ A copy of the guidelines is available on the ERA [website](#).

The 41 controls deficiencies found by the audit have all been caused by errors and omissions in the references to the compliance obligations from the licence, *Water Services Act 2012* and the *Water Services Regulations 2013* in Gascoyne Water's Policies and Procedures Manual.

Review

There has been a slight deterioration in the effectiveness of Gascoyne Water's asset management system since the previous review in 2017. However, with the exception of capital expenditure planning, the deterioration in ratings is due to relatively minor administrative issues related to maintaining some of the asset management documentation and improving document controls.

The ERA considers the auditor's rating of C3 for capital expenditure is unduly harsh, as it seems to be almost entirely based on Gascoyne Water not having the required five-year rolling plan of capital expenditure. Gascoyne Water has explained that medium to long-term financial planning for its assets is being hampered by the uncertainties surrounding the assets related to the Gascoyne Food Bowl Initiative water supply. It has taken reasonable measures to understand the potential future costs of operating these assets by commissioning a comprehensive financial plan for the assets from an independent consultant. The plan shows that, under various scenarios, Gascoyne Water will be able to operate the scheme profitably over the next 10 years, funded entirely from water sales and the sale of shares to the Gascoyne Food Bowl Initiative landholders.

Further information

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