

# *Operating Licence* Performance Audit Report

*Economic Regulation  
Authority*

*Performance Audit  
Report*

*October 2015*

---

# ***Contents***

<b>1</b>	<b>Executive Summary</b>	<b>1</b>
<b>2</b>	<b>Audit Opinion</b>	<b>33</b>
<b>3</b>	<b>Observations</b>	<b>35</b>

This report is provided in accordance with Request for Quotation WLOAAMSR 04/2015 which was called under Panel Contract ERA1132013 - Panel Arrangement for the Provision of Consultancy Services - Economic & Technical Advice and Common Use Arrangement CUA 23706 (Audit Services and Financial Services), and is subject to its terms and conditions.

Our work was based only on the information made available up to the date of the review. Accordingly, changes in circumstances after this date or the availability of other information could affect our findings.

This report and all PricewaterhouseCoopers deliverables are intended solely for Economic Regulation Authority's internal use and benefit and may not be relied on by any other party. This report may not be distributed to, discussed with, or otherwise disclosed to any other party without PricewaterhouseCoopers's prior written consent. The Economic Regulation Authority is responsible for its website and PwC does not accept responsibility for any changes that may have occurred to the reported subject matter information or criteria since they were initially presented on the website. PricewaterhouseCoopers accepts no liability or responsibility to any other party who gains access to this report.

---

# **1 Executive Summary**

## **1.1 Introduction**

Section 37 of the Water Services Licensing Act 1995 requires the Water Corporation (the Corporation) to provide the Economic Regulation Authority (the Authority) with an operational audit (audit) of its licence which is conducted by an independent expert acceptable to the Authority.

The Authority approved PricewaterhouseCoopers to undertake the audit in April 2015.

The Corporation is the principal supplier of water, wastewater and drainage services in Western Australia. The Corporation also provides bulk water to farms for irrigation. Its services, projects and activities span over 2.5 million square kilometres.

We have conducted the performance audit in accordance with the Standard on Assurance Engagements (ASAE) 3000. The performance audit is an audit of the effectiveness of the measures taken by the Corporation to meet the obligations of the performance and quality standards referred to in the Water Services Licence. This audit and review covered the period 1 July 2012 to 30 June 2015.

During the period a change in legislation relating to Water Licensing occurred. This resulted in the Corporation having 5 versions of the licence during the period under review. Compliance against licence versions OL9, 10 was required for the period 1 July 2012 to 17 November 2013 and licence versions 11, 12, 13 for the period 18 November 2013 to 30 June 2015.

A preliminary analysis was performed on the licensing framework and the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014 for the water trading licence to ascertain the performance and compliance audit requirements of the Corporation, and to determine the nature and extent of audit activity. We have prioritised the audit coverage based on the assigned risk profile with the emphasis on providing greater focus and depth of testing for higher risk areas.

An audit plan was developed and approved by the Authority using a risk based approach to focus on key risk areas in accordance with the Corporation's water services risk profile and the industry best practice standard AS/NZS 31000:2009.

We have assessed the controls and performance against those standards by the Corporation with the relevant licence obligations through a combination of interviews/enquiries, observation, examination of documents and detailed testing.

The report presents the findings from the performance audit.

## **1.2 Audit Objectives, Scope and Approach**

### **Objectives**

The objective of the Operating Licence audit is to evaluate the effectiveness of the measures taken by the Corporation to meet the obligations of the performance and quality standards referred to in the Water Services Licence. The audit focuses on the Corporation's systems and effectiveness of processes used to ensure compliance with the obligations, standards, outputs and outcomes as required by the Licence.

### **Audit Scope**

For each applicable licensing requirement, the audit effort for the Operating Licence considered the following:

- *Process compliance* – the effectiveness of the systems and procedures in place including the adequacy of internal controls;
- *Outcome compliance* – the actual performance against standards prescribed in the licence;

- *Output compliance* – the existence of the output from systems prescribed in the licence;
- *Integrity of performance reporting* – the completeness and accuracy of the performance reporting to the Authority; and
- *Compliance with any individual licence conditions* – the requirements imposed on the Corporation or specific issues to follow up that are advised by the Authority.

The period covered by the audit was 1 July 2012 to 30 June 2015. We performed our audit during the period June, July and August 2015.

## ***Audit Approach***

Our audit has been conducted in accordance with the Standard on Assurance Engagements (ASAE) 3000 and accordingly included such tests and procedures as we considered necessary in the circumstances. These procedures have been undertaken to form an opinion whether in all material respects, the control procedures in relation to the Corporation's Water Service Licence operated effectively based on the relevant licensing requirements.

An audit plan was developed and approved by the Authority using a risk based approach to focus on key risk areas in accordance with AS/NZ 31000:2009. Preliminary analysis was performed on the licensing framework for the Water Services Licence to ascertain the performance and compliance audit requirements of the Corporation and to determine the nature and extent of audit activity. The Authority's Water Licence Reporting Manual – May 2011, July 2012 and April 2014 provided a consolidated list of the key obligations relating to water licences and was utilised as part of the risk assessment process to suitably tailor the audit approach for the operating licence audit.

In accordance with the Operating Licence Audit Plan approved by the Authority in June 2015, the audit adopted a risk based approach to validate compliance with the licence conditions. Under this approach, we have used the audit priority assessment and the alignment of the Water Service Licence requirements to the Corporation's business processes to determine the nature and extent of testing within the audit. The nature and extent of testing varied so that as the audit priority of the licence obligations increased, the persuasiveness of the evidence that was obtained was also increased. Where the audit priority of similar requirements was different, the audit priority defaulted to the highest priority to ensure that any interdependencies were considered.

In addition, the audit plan also took into account the Authority's views with respect to audit priority and testing following the Authority's review and feedback of the draft audit plan.

## ***1.3 Assessment of the control environment***

Our review has noted that the Corporation has a satisfactory control environment. In particular we noted:

- A well-defined organisational structure with assigned responsibilities for compliance. Additionally, the Corporation has mature and accessible policies and procedures governing working practices.
- The cumulative experience and knowledge of key staff within the business facilitates a culture of continuous improvement and training. The assistance provided by all Water Corporation employees through the duration of our audit has also demonstrated the organisation's commitment and focus on meeting their obligations under the Operating Licence.
- Certain branches within the Corporation have developed position statements detailing the processes they have in place to help ensure that they comply with their respective Water Compliance Reporting Manual obligations.
- Daily Review Meetings are held at the Perth Regional Alliance and South West Region branches between Team/Section Leaders and direct reports to review activities done the previous day and those planned for the current day. At the meeting, the activities of the previous day are discussed, highlighting planned verses actual activities, performance problems and corrective action. A key focus of the meeting is to determine imbalances in workload between areas.

## 1.4 Performance Summary

The compliance ratings have been applied based on the definitions stipulated in the Authority’s 2014 Audit and Review Guidelines – Water Licences. Compliance ratings have been determined based on the following scale.

**Table 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 / Not required	NR	Not Required – no activity during the audit period to exercise the obligation

### Operational Audit Compliance Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #1	The licensee must provide a water service 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.	2	✓						✓				
2012 #1	The licensee must provide the water service.												
2014 #2	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	✓						✓				
2014 #3	The licensee must provide, operate and maintain the water service works specified by the Authority in the licence	4					✓	✓					
2014 #4	The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the licence.	2	✓					✓					
2014 #5	All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	3	✓					✓					
2014 #6	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2012 #3	The Licensee must have an Asset Management System in respect to the licensed activity.												
2014 #7	The licensee must give details of the asset management system and any changes to it to the Authority	4					✓	✓					
2012 #4	The Licensee must notify the Authority of any changes to the Asset Management System.												
2014 #8	A licensee must provide the Authority 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 Authority.	4					✓	✓					
2012 #5	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset Management System.												
2014 #9	A licensee must, not less than once every 24 months, or such longer period as determined by the Authority, provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority.	5					✓	✓					
2012 #6	The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an operational audit conducted by an independent expert, acceptable to the Authority.												
2014 #10	The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	2					✓						✓
2012 #23	The licensee must establish customer consultation processes as set out in Schedule 3.	2											
2012 #24	The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.		✓					✓					
2012 #25	The licence must consult the Authority on the type and extent of consultation to be adopted by the licensee.												

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating				
			A	B	C	D	N P	1	2	3	4	N R
2012 #26	The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	2					✓					✓
2014 #11	The licensee must comply with the code of conduct that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence	2		✓					✓			
2014 #12	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.	2		✓					✓			
2014 #13	If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister	4					✓	✓				
2014 #14	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.	5					✓					✓
2014 #15	Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	4					✓	✓				
2014 #16	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	4					✓	✓				
2014 #17	If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification	4					✓	✓				
2014 #18	If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.	4					✓	✓				

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #19	If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	4					✓	✓					
2014 #20	If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	5					✓	✓					
2014 #21	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	2	✓					✓					
2014 #22	If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of FESA, or the relevant local government as to the location and type of hydrant.	4					✓	✓					
2014 #23	The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	5					✓	✓					
2014 #24	If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.	4					✓	✓					
2014 #25	The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.	4					✓	✓					
2014 #26	If required to by the Minister, the licensee must connect a drainage asset on land to the drainage works of the licensee.	4					✓	✓					
2014 #27	If required by the Minister, the licensee must modify the property drainage connection.	4					✓	✓					
2014 #28	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	4					✓	✓					
2014 #29	If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	3	✓					✓					



Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #30	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 <i>Strata Titles Act 1985</i> .	4					✓	✓					
2014 #31	If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	4		✓					✓				
2014 #32	If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	4					✓	✓					
2014 #33	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	5					✓	✓					
2014 #34	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.	4		✓					✓				
2014 #35	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.	4					✓	✓					
2014 #36	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	4					✓	✓					
2014 #37	The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified	4					✓	✓					
2014 #38	The licensee must have regard to an objection or submission lodged within the relevant period.	4					✓	✓					
2014 #39	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #40	The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	4					✓	✓					
2014 #41	If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal	4					✓	✓					
2014 #42	A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	4					✓	✓					
2014 #43	The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	4					✓	✓					
2014 #44	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	4					✓	✓					
2014 #45	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations	4					✓	✓					
2014 #46	On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	4					✓						✓
2014 #47	Any costs incurred in taking an interest in land are to be paid by the licensee.	4					✓						✓
2014 #48	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	4					✓						✓
2014 #49	In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	4					✓	✓					
2014 #50	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4					✓	✓					
2014 #51	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #52	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	4					✓	✓					
2014 #53	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable	4					✓	✓					
2014 #54	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.	4					✓	✓					
2014 #55	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 until they are not able to do so.	4					✓	✓					
2014 #56	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	4					✓	✓					
2014 #57	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.	4					✓	✓					
2014 #58	If the licensee applies for a warrant, the application must contain the prescribed information.	4					✓	✓					
2014 #59	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice	4					✓	✓					
2014 #60	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	4					✓	✓					
2014 #61	On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	4					✓	✓					
2014 #62	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #63	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.	4					✓	✓					
2014 #64	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.	4					✓	✓					
2014 #65	If the licensee provides a water supply service in respect of a multi-unit development, the licensee, on the owner's request, is to assess whether a meter is satisfactory for measuring the quantity or flow of water through a pipe supplying water to the unit.	4					✓	✓					
2014 #66	If the licensee gives a compliance notice to a person in respect of access to meters, the notice must specify the specified information.	4					✓	✓					
2014 #67	If the owner or occupier requests the licensee to test a meter, subject to the payment of the charge (if any) for testing that type of meter, the licensee must test the meter in accordance with the approved procedure.	4					✓	✓					
2014 #68	If a meter test finds that the meter is outside the prescribed tolerance applicable, the licensee must take the specified actions, bear the costs of testing and refund or credit any charges paid under regulation 26(3).	4					✓	✓					
2014 #69	If the developer of a lot makes a request to the licensee to defer payment of an infrastructure contribution, the licensee must, subject to regulations 29(3) and 29(4), allow the payment to be deferred.	4					✓	✓					
2014 #70	The written order requiring the owner or occupier of land to install a backflow prevention device must set out the date which the device must be installed and tested (which must be at least 7 days after the order is given).	4					✓						✓
2014 #71	The compliance notice requiring the owner or occupier of land to have their backflow prevention device tested or maintained in accordance with the standard by a specified date (which must be at least 7 days after the notice is given).	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #72	The compliance notice requiring the owner or occupier of land to have their backflow prevention device made good as specified in the notice must include the work that is required to be done, the manner in which the work is to be done and the date by which the work is to be done (which must be at least 7 days after the notice is given).	4					✓	✓					
2014 #73	The licensee must provide a person with a plan of the existing drainage plumbing for a building on request and on receipt of payment from the person.	4					✓	✓					
2014 #74	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.	4					✓	✓					
2014 #75	If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	4		✓				✓					
2014 #76	The licensee must maintain records for all land in respect of which water service charges apply.	4					✓	✓					
2014 #77	The records for all land in respect of which water service charges apply must contain prescribed information.	4					✓	✓					
2014 #78	The licensee must make the records for all land in respect of which water service charges apply available for inspection by any person without charge, and give a copy of particular records to a person with a material interest in them, on payment of the prescribed charge.	4					✓	✓					
2014 #79	Except as otherwise provided under the Act, the records maintained by the licensee for a period in relation to land are the basis upon which the licensee must determine the water service charges applicable for the period.	4					✓	✓					
2014 #80	The licensee must consider an objection to the records maintained by a licensee under regulation 65 as soon as practicable.	4					✓	✓					
2014 #81	The licensee must give the person by whom the objection was made written notice of the licensee's decision on the objection together with a brief statement of the licensee's reasons for the decision.	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #82	If the licensee disallows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person who objected of any consequent amendment of the records.	4					✓	✓					
2014 #83	If the licensee allows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person of the time within which and the manner in which a review of the decision may be sought.	4					✓	✓					
2014 #84	Upon receipt of a notice from a person dissatisfied with a decision of the licensee on an objection, the licensee must promptly refer the relevant records to the State Administrative Tribunal for a review.	4					✓	✓					
2014 #85	Upon receipt of a notice from a person dissatisfied with a decision of the licensee to refuse to extend the time for giving an objection to the licensee or a notice under regulation 69(2), the licensee must promptly refer the decision to the State Administrative Tribunal for a review.	4					✓	✓					
2014 #86	The licensee must make any amendment of the records necessary as a consequence of an allowance, wholly or in part, of an objection under the Act or the <i>Valuation of Land Act 1978</i> or as a consequence of a review by the State Administrative Tribunal.	4					✓	✓					
2014 #87	The licensee must, if necessary as a consequence of the amendment to the records under regulation 74(1) re-determine and if necessary provide a rebate or refund.	4					✓	✓					
2014 #88	If a person is liable, under an agreement with the owner of land, for payment of the water service charges in respect of certain land, the person is entitled to receive from the licensee all information necessary for the person to assess his or her liability under the agreement.	4					✓	✓					
2014 #89	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating				
			A	B	C	D	N P	1	2	3	4	N R
2014 #90	If the licensee appoints an employee as an authorised or approved officer for the purposes of the <i>Criminal Procedure Act 2004</i> Part 2, the licensee must issue the officer a certificate, badge or identity card identifying the officer as a person authorised to issue infringement notices.	4					✓	✓				
2014 #91	The licensee must maintain a list of persons appointed to be authorised officers or approved officers for the purposes of the <i>Criminal Procedure Act 2004</i> Part 2, and must, on request, give a copy of the list to the CEO or to the chief executive officer of the Public Services principally assisting in the administration of the <i>Criminal Procedure Act 2004</i> .	4					✓	✓				
2014 #92	The licensee must have written information for customers about the specified matters	4										
2012 #19	The licensee must establish a Customer Service Charter as set out in Schedule 3.											
2012 #20	The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.		✓				✓					
2012 #21	The licensee must review its Customer Service Charter at least once in every three year period.											
2012 #22	The licensee must provide its services consistent with its Customer Service Charter.	4	✓						✓			
2014 #93	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.	4					✓	✓				
2014 #94	The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.	4					✓	✓				
2014 #95	The licensee must issue a bill for usage to each customer at least once in every 6 month period.	4					✓	✓				
2014 #96	The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.	4					✓	✓				
2014 #97	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.	4					✓	✓				
2014 #98	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.	4					✓	✓				

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #99	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.	4					✓	✓					
2014 #100	Each bill must contain the prescribed information. [Does not come into operation until 18 November 2015]	Not Applicable for the audit period											
2014 #101	Each bill for usage for a metered water service must, in addition to the requirements of clause 12(1), contain the specified information. [Does not come into operation until 18 November 2015]	Not Applicable for the audit period											
2014 #102	Each bill must inform the customer of the specified information and where further details can be obtained. [Does not come into operation until 18 November 2015]	Not Applicable for the audit period											
2014 #103	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.	4					✓	✓					
2014 #104	The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to a subsequent and accurate meter reading	4					✓	✓					
2014 #105	The licensee must provide to the customer on request a meter reading and a bill in in the prescribed circumstances.	4					✓	✓					
2014 #106	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 normal for the customer but is likely to have been wasted because of a leak.	4					✓	✓					
2014 #107	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.	4					✓	✓					
2014 #108	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.	4					✓	✓					
2014 #109	The licensee must not charge interest or late payment fees on an undercharged amount.	4					✓	✓					



Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #110	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.	4					✓	✓					
2014 #111	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.	4					✓	✓					
2014 #112	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	4					✓	✓					
2014 #113	The licensee must review a bill on the customer's request.	4					✓	✓					
2014 #114	The license must have a written procedure for the review of a bill on the customer's request.	4					✓	✓					
2014 #115	The review procedure in clause 18(2) must include the specified information and be publicly available.	4	✓						✓				
2014 #116	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.	4					✓	✓					
2014 #117	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.	4					✓	✓					
2014 #118	The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.	4					✓	✓					
2014 #119	The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.	4					✓	✓					
2014 #120	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.	4					✓	✓					
2014 #121	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 the customer or an adult person nominated by the customer, to do so.	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating				
			A	B	C	D	N P	1	2	3	4	N R
2014 #122	The licensee must accept payment in advance from a customer on a customer's request.	4					✓	✓				
2014 #123	The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	4					✓	✓				
2014 #124	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.	2	✓					✓				
2014 #125	The licensee must have a written policy in relation to financial hardship that is approved by the Authority.	2	✓					✓				
2014 #126	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 period starting on the day on which section 27 of the Act comes into effect.	2	✓					✓				
2014 #127	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.	Does not apply to the Water Corporation										
2014 #128	The licensee's financial hardship policy must be publicly available.	2		✓					✓			
2014 #129	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	2	✓					✓				
2014 #130	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.	2	✓					✓				
2014 #131	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.	2	✓					✓				
2014 #132	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.	2	✓					✓				
2014 #133	The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers	2	✓					✓				

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #134	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 difficulties or who is being assessed for financial hardship.	2	✓						✓				
2014 #135	If the licensee has reduced the rate of flow of drinking water to land under section 95(1)(b) of the Act, the licensee must restore the supply of water if the amount owing is paid, or if the customer enters into a payment arrangement for the amount owing that is satisfactory to the licensee.	4						✓	✓				
2014 #136	If the licensee has, under section 95(1)(a), (c), (d) or (e) of the Act, cut off or reduced the flow of drinking water, the licensee must restore the supply of water if the licensee is satisfied that the reason for the disconnection or reduction no longer applies.	4						✓	✓				
2014 #137	The licensee must not, under section 95(1)(b) of the Act, reduce the rate of flow of drinking water to a customer without having first used its best endeavours to inform the customer in person of its intention to do so if the amount owing is not paid.	5						✓	✓				
2014 #138	The licensee must not reduce the rate of flow of drinking water under the Act if the specified circumstances apply.	4						✓	✓				
2014 #139	The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.	4						✓	✓				
2014 #140	The Water Corporation must restore a water supply to land in the metropolitan region within the specified timeframe, unless the licensee and customer expressly agree otherwise.	4						✓	✓				
2014 #141	The Water Corporation must restore a water supply to land outside the metropolitan region within the specified timeframe, unless the licensee and customer expressly agree otherwise.	4						✓	✓				
2014 #142	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.	Does not apply to the Water Corporation											
2014 #143	The Water Corporation must ensure that there is a 90% compliance rate with clauses 34(2) and 34(3) in any 12 month period ending on 30 June.	4						✓	✓				
2014 #144	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.	Does not apply to the Water Corporation											

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #145	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.	2											
2012 #9	The licensee must establish a customer complaints process as set out in Schedule 3.												
2012 #10	The licensee must resolve customer complaints within 15 business days of the receipt of complaint.												
2012 #12	The licensee must provide appropriately trained staff to respond to complaints.												
2012 #14	The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.		✓						✓				
2012 #15	The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.												
2012 #17	The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.												
2012 #18	The licensee must, on request, provide complaints details to the Department of Water.												
2014 #146	The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any).		2	✓						✓			
2014 #147	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.	2	✓						✓				
2014 #148	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.	2	✓						✓				
2014 #149	The licensee's complaints procedure must be publicly available.	2	✓							✓			
2014 #150	The licensee must provide a customer with the specified services on request and at no charge.	4					✓	✓					
2014 #151	The licensee must provide a customer with the specified services on request and at no charge.	Repeat of obligation 150.											

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating				
			A	B	C	D	N P	1	2	3	4	N R
2014 #152	The licensee must make available to each customer the customer's personal account information.	4					✓	✓				
2014 #153	The licensee must make the prescribed information publicly available.	4					✓	✓				
2014 #154	The licensee must ensure that the specified information about bill may be obtained from its website. [Commences operation on 18 November 2015]	Not Applicable for the audit period.										
2014 #155	The licensee must pay the applicable fees in accordance with the Regulations.	4					✓	✓				
2012 #8	The licensee must pay the applicable fees in accordance with the regulations.	Not Applicable for the audit period.										
2014 #156	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	2		✓					✓			
2014 #157	The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	2					✓					✓
2014 #158	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.	2		✓					✓			
2014 #159	The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	2	✓						✓			
2014 #160	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	4					✓	✓				
2012 #41	The licensee must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.											
2014 #161	The licensee must comply with any individual performance standards prescribed by the Authority.	2		✓					✓			
2014 #162	The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	4										
2012 #42	The licensee must comply and require the licensee's auditor to comply with the Authority's Standard Audit Guidelines, minimum requirements regarding appointment of the auditor, scope of audit, conduct of the audit and reporting of the audit.											

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #163	The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	4					✓						✓
2012 #46	The licensee must report to the Authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.												
2014 #164	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.	4					✓	✓					
2014 #165	The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	4					✓	✓					
2012 #32	The licensee must conduct a customer survey if directed to by the Authority.	4					✓						✓
2012 #47	The licensee must provide any information the Authority may require in connection with its functions under the Act.	4					✓	✓					
2014 #166	The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee.	4					✓	✓					
2012 #48	The licensee must comply with the information reporting requirements as set out in Schedule 5.												
2014 #167	The licensee must provide the Authority with the data required for performance reporting purposes that is specified in <i>Water Compliance Reporting Manual</i> , and the National Performance Framework that apply to the licensee.	4					✓	✓					
2014 #168	Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	4					✓						✓
2012 #49	The licensee must publish relevant information directed to do so by the Authority within the specified timeframe.												
2014 #169	Unless otherwise specified, all notices must be in writing.	4					✓	✓					

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #170	The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	4											
2012 #43	The licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.						✓	✓					
2014 #171	The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	4											
2012 #44	The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.						✓	✓					
2014 #172	The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	4											
2012 #45	The licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review conduct of the review and reporting of the outcomes of the review.						✓	✓					
2014 #173	The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	4						✓	✓				
2014 #174	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).	4						✓	✓				
2014 #175	If directed by the Authority, the licensee must submit a draft customer contract for approval.	4						✓	✓				
2014 #176	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee.	4						✓	✓				
2014 #177	The licensee may only amend the customer contract with the Authority's approval.	4						✓	✓				
2014 #178	The licensee must comply with any direction by the Authority to amend the customer contract.	4						✓	✓				

Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #179	Unless clause 24.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> without the prior approval of the Authority.	4						✓	✓				
2012 #30	The licensee may enter into an agreement with a customer to provide water services that may exclude, modify or restrict the terms of the licence.												
2014 #180	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> , the licensee must publish an annual report containing the information specified.	4						✓	✓				
2012 #31	The licensee must publish a report annually that includes the specified information.	4	✓							✓			
2014 #181	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.	5						✓					✓
2014 #182	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 Authority.	2	✓						✓				
2014 #183	The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	2	✓							✓			
2014 #184	The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.	4						✓	✓				
2012 #33	The licensee must enter into a MoU with the Department of Health (DoH) as soon as practicable after the commencement date.												
2014 #185	The Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health.	4						✓	✓				
2012 #34	The licensee and DoH must review and renew the MoU every 3 years.	4	✓							✓			
2014 #186	The licensee must comply with the terms of the Memorandum of Understanding.	4						✓	✓				
2012 #37	The licensee must comply with the terms of the MoU.												



Executive Summary

Compliance Obligation Reference Number	Licence Reference	Audit Priority Applied	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	N P	1	2	3	4	N R	
2014 #187	The licensee must publish the Memorandum of Understanding and any amendments to the Memorandum of Understanding within one month of signing or making the amendment.	4											
2012 #35	The licensee must provide the Authority with a complete copy of the MoU within one month of entering into the MoU.												
2012 #36	The licensee must provide the Authority with any amendments to the MoU within one month of entering into any amendments to the MoU.		✓	✓									
2012 #38	The licensee must publish the MoU and any amendments to the MoU within one month of signing (subject to the confidentiality clause 22.3 in the licence).												
2014 #188	The licensee must publish the audit report on compliance with its obligations under the Memorandum of Understanding on its website within one month of the completion of the audit.	4											
2012 #39	The licensee must publish the audit report on compliance with its obligations under the MoU on the licensee's web site within one month of the completion of the audit.		✓	✓									
2014 #189	The licensee must publish any reports required by the Department of Health or set out in the Memorandum of Understanding on the licensee's website quarterly or at a reporting frequency specified by the Department of Health.	4											
2012 #40	The licensee must publish its Potable Water Quality Reports quarterly or at a reporting frequency agreed with the Department of Health.		✓	✓									
2014 #190	The licensee must comply with the service and performance standards as set out in Schedule 3.	2		✓					✓				
2012 #2	The Licensee must achieve prescribed standards as defined in the regulations.	2	✓										✓
2012 #7	The Licensee must comply with the service and performance standards as set out in Schedule 4.	2	✓						✓				

## 1.5 Key Findings – Table of Audit Non Compliances and Recommendation

### A. Resolved during current Audit period

Manual Reference	Non Compliance/Controls Improvement (Rating/Legislative Obligation/Details of Non-Compliance or inadequacy of controls)	Date Resolved (& management action taken)	Auditors Comments
<p><b>Reporting Manual Reference: 2012 #1</b></p> <p>Prior Audit Finding 1 (Finding 1 of 2012 Audit)</p>	<p><b>Rating:</b> Compliance Rating 3</p> <p><b>Legislative Obligation:</b> <i>The licensee must provide the water service.</i></p> <p><b>Details:</b> During the period July 2009 - March 2012, there were no procedures undertaken by the Corporation to determine the existence of assets and / or services outside of the operating licence area.</p> <p>In May 2010, the Corporation applied to the Authority to align the operating licence area with the control area. In part, this request was to reduce the risk of services being provided outside of the operating licence area. The Corporation communicated to the Authority that, whilst the application was being considered, the Corporation would not be performing monitoring procedures to identify assets and / or services outside of the operating licence area. This decision was acknowledged in an email from the Authority on 18 June 2011.</p> <p>In March 2012, management re-established the monitoring procedures and performed a review of assets and services outside of the operating licence area. This review identified 11 assets outside of the operating licence area which were investigated for the location of the service point. Management concluded that, with the exception of sewer outfalls to the ocean, no services were being provided outside the operating licence area. These exceptions were a result of changes made to match the operating licence area with the control area.</p> <p>A bi-annual process to identify assets and services outside the operating licence / control area has now been formally implemented and commenced in July 2012.</p>	<p>We confirmed that a bi-annual process to identify assets and services outside the controlled area, commenced in July 2012.</p> <p>On the 29 January 2014, the ERA approved the removal of the Water Corporation's controlled areas, and the expansion of the operating areas to match the boundary of the Contiguous Zone off the Western Australian coast.</p> <p>The drainage operating area boundary expanded to match the Western Australian State Boundary, which replaced maps OWR-OA-179(C), OWR-OA-180(C) and OWR-OA-181(C) with the new map OWR-OA-182</p>	<p><b>No further Action Required.</b></p>
<p><b>Reporting Manual Reference: 2012 #2 and 7</b></p> <p>Prior Audit Finding 2 (Finding 2 of 2012 Audit)</p>	<p><b>Rating:</b> Compliance Rating 3</p> <p><b>Legislative Obligation:</b></p> <p><i>2 - The Licensee must achieve prescribed standards as defined in the regulations.</i></p> <p><i>7 - The Licensee must comply with the service and performance standards as set out in Schedule 4.</i></p> <p><i>Pressure, Flow and Continuity performance standards</i></p> <p>Testing of 25 work orders relating to pressure and flow noted four instances of incorrect conclusions which were made on the achievement of the performance target. The root cause of these errors appears to be an incorrect application of the measurements by the field crews. Specifically we noted:</p> <ul style="list-style-type: none"> <li>A sample which was compliant but incorrectly reported as non compliant due to the tap</li> </ul>	<p>We confirmed that in order to resolve issues of incorrect feedback for poor supply work orders, the Corporation implemented an enhancement for poor supply feedback on the 6 November 2014. This enhancement enables the PDAs/Mobile Computing devices carried by field crew to automatically determine (from the pressure and flow input by the field crew) whether the supply at a property is confirmed, marginal or normal, and send this information back to SAP.</p> <p>Before the enhancement the field crew selected confirmed, marginal or normal from a drop down menu, and this process led to inconsistencies, as their selection was often inconsistent with the data they input for pressure and flow. The reason for the past inconsistencies was the ambiguity of 'confirmed', 'marginal' and 'normal'. Training on the enhancement was provided to all staff using PDAs.</p>	<p><b>No further Action Required.</b></p>

**A. Resolved during current Audit period**

reading being taken as the measuring point rather than the metre reading which was compliant.

- A sample which was compliant at the time of measurement was incorrectly reported as non compliant because at the field crew estimated the impact of local road works, which were not impacting the pressure or flow at the time of measurement, but were thought to be the source of the complaint.
- A sample which was reported as compliant but was non compliant as the property was a farmland which can have Services provided by Agreement and therefore different service standards. This property did not have a Service by Agreement and therefore did not meet the performance standard.
- A sample which was compliant at the tap but due to the absence of a reading at the meter, the system has defaulted the meter reading to zero. The sample was concluded as non-compliant. SAP puts a default zero reading where no data has been entered. Therefore the root cause of this appears to be an error in conclusion by the field crew staff.

Whilst the above exceptions have been noted, the overall performance standard has not been materially impacted and the Corporation is compliant with performance standards in these licence areas.

We noted that there are mitigating controls which have been implemented by management to monitor trends at a corporate and regional level. In addition, field crews are provided a detailed guide on how to use and record information through the PDAs.

**Sewerage Systems performance standards**

Testing of 25 work orders relating to overflows noted one exception. Review of the work order noted that whilst an internal overflow was confirmed by the field crew, the flag used to identify internal overflows for reporting purposes was manually deleted post submission of the field crew data. Consequently this instance was under reported.

Although the enhancement has produced dramatic improvement, and lessened the inconsistency between pressure and flow readings and the conclusions drawn from them, a number of "fixes" have been required since implementation. A fix went through on the 27 February 2015. The issue in this instance was that in the rare case that a crew member would access the poor supply screen through the "mandatory validation" screen, rather than going straight to the poor supply feedback screen, the old poor supply screens (prior to the enhancement) would display, allowing the crew to select the Pressure Status themselves.

The latest fix to go through was on the 2 July 2015. This was to fix the issue where the pressure and flow status appeared inconsistent when the reading was right on the minimal 'Normal' range. However, the data was being checked regularly, and amended when necessary as the Corporation knew that there was an issue.

Prior to the enhancement implementation, feedback review reports were run periodically (weekly or monthly depending on the Local User Expert). The feedback review reports allowed the Local User Expert to identify inconsistencies between what the field crew selected and the pressure and flow data that was input. They then followed up the inconsistent entries with the field crew.

We noted that the bi-annual exception reporting to identify inconsistent field crew conclusions is completed, and no exceptions noted in testing performed for the current audit period.

<p><b>Reporting Manual Reference: 2012 #2 and 7</b></p> <p>Prior Audit Finding 3 (Finding 3 of 2012 Audit)</p>	<p><b>Rating:</b> Compliance Rating 3</p> <p><b>Legislative Obligation:</b></p> <p><i>2 - The Licensee must achieve prescribed standards as defined in the regulations.</i></p> <p><i>7 - The Licensee must comply with the service and performance standards as set out in Schedule 4.</i></p> <p>Management should continue to work with the ERA to find a workable solution to measuring farmland pressure and flow.</p>	<p>We confirmed through that the Corporation continued to work with the ERA to find a workable solution for Finding 3. On the 27 June 2013 the Corporation sent a detailed report to the Authority. The report provided an independent opinion on the proposal of the Corporation to amend the Operating Licence. The proposal contained changes that would allow and ensure that the Corporation could accurately and feasibly measure Minimum Flow and pressure for Farmland schemes. Thereby the Corporation would also be able to comply with the standards specified by the ERA.</p> <p>On the 18 September 2013 the Authority made the amendment proposed by the Corporation.</p> <p>On the 16 October 2014, the Authority provided confirmation to the Corporation that all recommendations in the post-audit implementation plan (with regards to this Finding) had been completed.</p>	<p><b>No further Action Required.</b></p>
<p><b>Reporting Manual Reference:</b></p>	<p><b>Rating:</b> Compliance Rating 3</p> <p><b>Legislative Obligation:</b></p>		<p><b>No further Action</b></p>

**A. Resolved during current Audit period**

<b>2012 #2 and 7</b>	<i>2 - The Licensee must achieve prescribed standards as defined in the regulations.</i>		<b>Required.</b>
<p>Prior Audit Finding 4 (Finding 6 of 2009 Audit)</p>	<p><i>7 - The Licensee must comply with the service and performance standards as set out in Schedule 4.</i></p> <p><u>Pressure and Flow data</u></p> <p>1. Sample testing performed under Test 2 (Service and Performance Standards) noted that for 4 of our sample of 25, the conclusions by the field crew did not reconcile to the supporting data. The exceptions represent an error rate of 16% over the sample population, showing a slight improvement since the prior audit.</p> <p>(i) Pressure and flow has not been included in the 'information cube' but rather within SAP BW. This is to be rolled out in time for the 2012 Authority compliance reporting.</p> <p>(ii) The exception report is still in development.</p> <p>(iii) A process to review the exception reports commenced in April 2010 and is being performed by the Senior Operations Analyst.</p>	<p>Refer to Prior Audit Finding 2.</p>	
	<p><u>Partially Executed Workorders</u></p> <p>2. Inquiry and observation with management noted that a bi-annual review of PEXE work orders is completed at the Goldfields Region, whilst Perth Metro conducts a fortnightly review. We noted a significant reduction in the number and age of PEXE work orders. However the review is not formally evidenced to demonstrate its operation.</p>	<p>We confirmed that the Senior Business Systems Analyst follows up on work order statuses with the Regions every 4-6 months. A system health report is sent to the Regions detailing outstanding work orders, and what "clean up" is required. The Senior Business System Analyst performs as much clean-up as possible prior to sending the report to the Regions, leaving work orders requiring the Region's input for them to close out.</p> <p>On a more frequent basis, every Region's Information System Coordinator (or Local User Expert (LUE)) performs a check of the statuses of work orders in their system. The LUE will follow-up with the field crew if there are any work order discrepancies that need resolving. The continual monitoring of the performance of each Region's KPIs against the service standards ensures that partially executed work orders are resolved.</p>	
	<p><u>Farmlands Pressure and Flow</u></p> <p>3. The Corporation applied for a licence amendment to the measurement of pressure and flow standards in Farmlands on 14 June 2011 and revised the application on 20 June 2011. The Authority sought public comment on the matter and received 60 submissions. According to the Water Services Act 1995 Section 31(1a), the Authority cannot determine a licence to be amended unless it is satisfied that it is not contrary to public interest to do so. Following the public consultation the Authority recommended the Corporation to engage an external consultant to undertake an independent assessment on alternative methodology for measuring pressure and flow; the Corporation advised the Authority about contracting Deloitte on 6 December 2012. The final report from Deloitte is still pending and therefore the processing of the licence amendment application has not been completed.</p>	<p>Refer to Prior Audit Finding 3.</p>	
<p><b>Reporting Manual Reference: 2012 #22</b></p>	<p><b>Rating:</b> A2</p> <p><b>Legislative Obligation:</b> <i>The licensee must provide its services consistent with its Customer Service Charter.</i></p>	<p>We confirmed that the requirement for the licensee to provide its services consistent with its Customer Service Charter was removed from the Operating Licence from the 18<sup>th</sup> of November 2013.</p>	<p><b>No further Action Required.</b></p>
<p>Within the customer charter, no explicit service</p>			

**A. Resolved during current Audit period**

targets exist for the eight specified performance areas and as such, the inferred target sits at 100%. The specified performance areas relate to written complaints, written enquiries, email enquiries, meter testing, odour complaints, urgent water faults, water pressure problems and the installation or activation of standpipes. The Corporation self-reported the following:

- 3 of 36 applications to test meters were not carried out within 10 working days or at the agreed day and time, which equates to a 91.7% performance rate.
- 297 of 8,900 general written enquiries received were not responded to within 10 business days, which equates to a 96.6% performance rate.
- 2053 of 59,585 email enquiries received were not responded to within 5 business days, which equates to a 96.5% performance rate.
- 113 of the 2,426 contacts received about poor water quality were not responded to within 2 hours or at an agreed time, which equates to a 95.3% performance rate.
- 617 of the 16,421 new services installed were not installed within 10 business days or at an agreed time, which equates to a 96.2% performance rate.
- 18 of the 525 odour complaints received were not responded to within 24 hours or the following business day, which equates to a 96.7% performance rate.
- 2,053 of the 21,623 urgent water faults reported were responded to outside 2 hours or at an agreed time, which equates to a 90.5% performance rate.
- 2,190 of the 27,806 customers who advised us of a non-water service fault were not responded to within the target time, which equates to a 92.1% performance rate.

<p><b>Reporting Manual Reference: 2012 #34</b></p>	<p><b>Rating:</b> A2 <b>Legislative Obligation:</b> <i>The licensee and DoH must review and renew the MoU every 3 years.</i></p> <p>The Memorandum of Understanding (MoU) is reviewed once every five years. This timeframe is set by the Department of Health (DoH), as owners of the MoU. However, under clause 9.2(c) of the Operating Licence, there is a requirement to review and renew the MoU not less than once every three years.</p>	<p>We confirmed that the specific requirement to review and renew the MoU not less than once every three years has been removed in the new Operating Licence from 18<sup>th</sup> November 2013.</p>	<p><b>No further Action Required.</b></p>
--	---	--	---

<p><b>Reporting Manual Reference: 2014 #31</b></p>	<p><b>Rating:</b> B2 <b>Legislative Obligation:</b> <i>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.</i></p> <p><u>An internal review conducted by the Water Corporation identified cases where memorials were lodged for outstanding charges, however these had not been followed up and the memorial not lifted once the debt cleared.</u></p> <p><u>The review also identified cases where deferred (headworks) contributions had been paid but the associated memorial still encumbered the title.</u></p>	<p>We confirmed that the Corporation's procedure document for withdrawal of memorials was updated in March 2015. It now clarifies that once the original amount owing when the memorial was lodged has been paid, the memorial is to be withdrawn.</p>	<p><b>No further Action Required.</b></p>
--	---	--	---

<p><b>Reporting Manual Reference:</b></p>	<p><b>Rating:</b> A2 <b>Legislative Obligation:</b> <i>The review procedure in</i></p>	<p>We confirmed that the Corporation's website was updated on the 13<sup>th</sup> of August 2014 to include information on the review of bills</p>	<p><b>No further Action</b></p>
---	--	--	---------------------------------

**A. Resolved during current Audit period**

<b>2014 #115</b>	<i>clause 18(2) must include the specified information and be publicly available.</i>	process.	<b>Required.</b>
<p>Clause 18(2) of the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i> document states that “a licensee must have a written procedure for the review of a bill on the customer’s request.” The Corporation’s internal quality assurance processes identified the review of a customer’s bill information was not on the Corporation’s website</p>			
<p><b>Reporting Manual Reference: 2014 #149</b></p>	<p><b>Rating:</b> A2  <b>Legislative Obligation:</b> <i>The licensee’s complaints procedure must be publicly available</i></p>	<p>We confirmed that the Corporation’s website was updated on the 13<sup>th</sup> of August 2014 to include information on how to lodge a complaint and the complaints resolution process.</p>	<p><b>No further Action Required.</b></p>
<p>The Corporation’s internal quality assurance processes identified complaints procedure information was not on the Corporation’s website.</p>			
<p><b>Reporting Manual Reference: 2014 #180</b></p>	<p><b>Rating:</b> A2  <b>Legislative Obligation:</b> <i>If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the Customer Services Code, the licensee must publish an annual report containing the information specified.</i></p>	<p>We confirmed that the Services Provided by Agreement report published on the Corporation’s website, was updated in November 2014 to include the total quantity of agreements.</p>	<p><b>No further Action Required.</b></p>
<p>The Corporation’s internal quality assurance checks identified that the Services Provided by Agreement numbers being reported on the Corporations website were incorrect.</p> <p>The sets of numbers reported were a count of agreement conditions and it was identified that one set of numbers should be the total quantity of agreements.</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)	Auditors' Recommendation	Management Action taken by end of Audit period
01/2015  <b>Reporting Manual Reference: 2014 #34</b>	<p><b>Rating:</b> B2</p> <p><b>Legislative Obligation:</b></p> <p><i>Water Services Act 2012 Section 141(1) - In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours notice to the public authority managing the road.</i></p> <p>The Water Corporation is required to give at least 48 hours' notice to the public authority managing a road, where a person is authorised to carry out road works that involves breaking the surface of the road or would cause major obstruction to road traffic.</p> <p>We were unable to evidence compliance with this requirement for the South West Region, as notification to the local shire was given informally via phone or in-person.</p>	<p>A formal procedure has been introduced to ensure written communication (email or letter) is provided to the relevant public authority 48 hours prior to the commencement of works, in addition to a telephone call or in-person notification.</p>	
02/2015  <b>Reporting Manual Reference: 2014 # 75</b>	<p><b>Rating:</b> B1</p> <p><b>Legislative Obligation:</b></p> <p><i>Water Services Regulations 2013: Regulation 63 - 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.</i></p> <p>We noted that there is no formal procedure followed in the South West Region in instances where the Water Corporation opens or breaks up the surface of a road. A lack of formalised documentation increases the risk of the Water Corporation failing to complete relevant work and reinstate and make good the road, and take all reasonable measures to prevent that part of the road from being hazardous.</p>	<p>We confirmed that the Corporation is in the process of rolling out and creating formal reinstatement standards and processes for all the Regions to follow, including the South West Region.</p>	

**B. Unresolved at end of current audit period.**

<p>03/2015</p> <p><b>Reporting Manual Reference: 2014 #161, 190</b></p>	<p><b>Rating:</b> B1</p> <p><b>Legislative Obligation:</b></p> <p><i>The licensee must comply with any individual performance standards prescribed by the Authority.</i></p> <p><i>The licensee must comply with the service and performance standards as set out in Schedule 3.</i></p> <p><b>Ord Irrigation</b></p> <p>New customers may not receive an annual irrigation water quality notification in instances where their property purchase does not go through the EAS system, is not automatically matched to an account or is not matched through manual follow-up.</p> <p>Such cases may only be identified at the time annual statements are sent. The Water Corporation is reliant on previous owners notifying it of a change in property ownership following incorrect receipt of an annual statement.</p> <p>The Water Corporation is then able to follow-up with the new owner, however there is a risk that some irrigation customers will not be provided with an annual not suitable for drinking notification.</p>	<p>We confirmed that the North West Region (NWR) is currently in negotiations with the Ord Irrigation Coop (OIC) and the Department of Water (DoW) to establish a process to ensure new ownership changes are communicated to the NWR, and thereby the Water Corporation's notification system in Grange. This will ensure that 100% of irrigation customers receive the appropriate water quality notification.</p>
<p>04/2015</p> <p><b>Reporting Manual Reference: 2014 #11, 12, 156, 158,</b></p>	<p><b>Rating:</b> B2</p> <p><b>Legislative Obligation:</b></p> <p><i>The licensee must comply with the code of conduct that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence.</i></p> <p><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> <p><i>Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.</i></p> <p><i>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.</i></p> <p>The Corporation identifies it may be non-compliant with Obligation 11. The reasoning behind this is due to the Corporation being non-compliant with components of the Code which are covered under separate licence obligations, such as the Financial Hardship Policy covered in Obligation 128 and 183.</p> <p>Additionally, Obligation 125 requires the licensee to have a written policy in relation to financial hardship which is approved by the Authority. Although the Corporation complied by obtaining the Authority's approval in May 2014, the approved Financial Hardship Policy did not include 'tenants'. Tenants who receive bills on behalf of the landlord are considered customers under the Water Services Code of Conduct (Customer Services Standards) 2013, meaning the approved Financial Hardship did not cover all customers and therefore did not meet the requirements of the Code. On 20 May 2015 an updated Financial Hardship Policy which includes tenants was approved by the Authority.</p>	<p>Clarify with the ERA as to whether Water Compliance Reporting Manual references can be re-worded to make complying with specific clauses of the Code of Conduct and Water Services Act clearer, and/or for the Water Corporation to seek exemptions from obligations that cannot be met.</p>



---

**B. Unresolved at end of current audit period.**

---

It was also identified that the Corporation was non-compliant with Obligation 12. Section 175(5) of the Act requires the Corporation to provide an authorised person's full name on a notice left at an unoccupied dwelling. For security reasons, the Corporation does not provide full names.

05/2014

**Rating:** B2

**Legislative Obligation:**

*The licensee's financial hardship policy must be publicly available.*

*The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.*

*Water Services Code of Conduct (Customer Service Standards) 2013: Clause 26*

*Water Services Act: Section 12*

The Financial Hardship Policy (FHP) published on the Water Corporation's website in May 2014 was a 'customer friendly' version and not the version approved by the ERA.

On the 5 September 2014 the ERA notified the Water Corporation of the non-compliance. On receiving this notice, the Corporation proceeded to take down the 'customer friendly' version of the FHP, and publish the approved policy.

We noted that the information provided to the Corporation's customers in the version published on the website was consistent with that in the approved FHP. All information that was re-worded for improved clarity for customers in the published version regarding payment plans, reducing and restoring water flow, additional information, customers commitment and complaints handling did not exclude any details that were in the approved FHP.

The subject matter approver should not have sent the customer friendly FHP to the online editor for publication on the website.

Reinforcement of the Corporation's Digital Publishing Procedure which details the appropriate sign-off process for publishing of documents should be performed.

Training to remind relevant employees of the requirements of this procedure and/or appointing designated Water Corporation subject matter approvers may prevent such non-compliance from occurring in the future.

**Reporting Manual Reference: 2014 #128, 183**

## **1.6 Changes to the Licence**

No changes to the Operating Licence are proposed at this time.

## **1.7 Conclusion**

In summary, we noted that 13 of the obligations were deemed to be non-compliant and as such confirm the reporting performed by the Corporation to the Authority. We also did note that 3 of the obligations whilst compliant did have recommendations for improvement to strengthen the internal controls to maintain compliance.

## **1.8 Representatives that were involved within this review**

We would like to extend our thanks to the assistance and contributions made by the representatives involved during this operational audit. Specifically:

- Shannon Arnott (Contracting & Compliance Manager)
- Steve Christie (Operations Support Manager)
- Neil Connor (HSE Strategy Manager)
- Cresylgie Dangazo (Civil Consultant Dams Drainage)

- Bob Espie (Policy & Compliance Manager)
- David Hales (Business Services Manager)
- Brian Handcock (Property Portfolio Manager)
- Terry Hobson (Financial Accounting Manager)
- Kevin How (Commercial Operations Manager)
- Geoff Hughes (Principal Engineer WW Convey & Drainage)
- John Janssen (Regional Manager)
- Trisha Lee (Business Improvement Project Manager)
- Craig Masarei (Manager Legal Services)
- Peter McGuire (Business Support Manager)
- Ross Mignacca (Infrastructure Markets Manager)
- Gary Monaghan (Service Delivery Manager)
- David Morgan (Acting Property Portfolio Manager)
- Sugandree Muruvan (Strategy & Integration Manager)
- Dorte Neilsen (Quality Advisor)
- Dominic Papalia (Acquisitions Manager)
- Andrew Pascoe (Regulation & Compliance Manager)
- Stuart Penney (Performance & Compliance Manager)
- Greg Pickering (Metering Services Manager)
- Jessica Smith (Compliance & Reporting Coordinator)
- Peter Speers (Section Manager - Country Water Planning)
- Robbie Stewart (Priority One Communications - Team Leader)
- Igor Van De Ploeg (Asset Monitoring & System Investigation Manager)
- Ray Willis (Process & Improvement Officer)

## **1.9 Audit Team**

- Cameron Jones (PwC Partner)
- Ryan Menezes (PwC Director)
- Nick Reid (PwC Senior Manager)
- Wade McCullough (PwC Manager)
- Deven Vaswani (PwC Consultant)
- Tess Washer (PwC Consultant)

---

## **2 Audit Opinion**

### **Independent assurance report on the Performance Audit of the Water Services Operating Licence**

We have audited the compliance of the Water Corporation with the procedures and controls over the performance and quality standards of the Water Services Operating Licence as measured by the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014 for the period from 1 July 2012 to 30 June 2015.

#### **The Water Corporations responsibilities**

The Water Corporation is responsible for compliance with the procedures and controls over the performance and quality standards of the Water Services Operating Licence as measured by the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014.

#### **Our Independence and Quality control**

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements, the firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Our responsibility**

Our responsibility is to express a reasonable assurance conclusion on compliance with the procedures and controls over the performance and quality standards of the Water Services Operating Licence as measured by the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014, in all material respects.

Our engagement has been conducted in accordance with applicable Standard on Assurance Engagements ASAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" to provide reasonable assurance that the Water Corporation has complied with the procedures and controls over the performance and quality standards of the Water Services Operating Licence as measured by the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014. Our procedures have been included in Section 3 of this report. These procedures have been undertaken to form a conclusion as to whether the Water Corporation has complied in all material respects, with the procedures and controls over the performance and quality standards of the Water Services Operating Licence, as measured by the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014 for the period from 1 July 2012 to 30 June 2015.

#### **Use of report**

This compliance audit report has been prepared for the Economic Regulation Authority in accordance with the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Economic Regulation Authority, or for any purpose other than that for which it was prepared.

**Inherent Limitations**

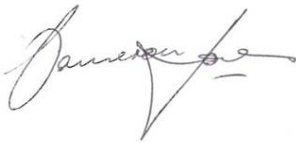
Because of the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the procedures and controls over the performance and quality standards of the Water Services Operating Licence as measured by the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014, as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with procedures and controls over the performance and quality standards of the Water Services Operating Licence as measured by the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014 are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

**Conclusion**

**Unqualified Auditor's Opinion**

In our opinion, the Water Corporation has complied, in all material respects, with the procedures and controls over the performance and quality standards of the Water Services Operating Licence as measured by the Authority's Water Compliance Reporting Manual May 2011, July 2012 and April 2014 for the period from 1 July 2012 to 30 June 2015.

PricewaterhouseCoopers



Cameron Jones

Perth

Partner

23 October 2015

# 3 Observations

---

Audit Test Reference:	Audit Priority:
-----------------------	-----------------

1

2

---

## References

Reporting Manual 2014 Reference: 1, 2, 4 and 182

Reporting Manual 2012 Reference: 1

Operating Licence version 11, 12, 13 (period 18 November 2013 to 30 June 2015) Clause: Schedule 1

Operating Licence version OL9,10 (period 1 July 2012 to 17 November 2012) Clause: Schedule 2

- The licensee must provide a water service 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.
- 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.
- The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the licence.
- 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 Authority.
- The licensee must provide the water service.

---

## Observations

Per the Water Services Operating Licence version 13, on 24 January 2012 the Authority approved the alignment of the Corporation's licence area with their controlled area. On the 29 January 2014, the Authority approved the removal of the controlled areas, and the expansion of the operating areas to match the boundary of the Contiguous Zone (the operating area extending off the coast of Western Australia). The drainage operating area boundary expanded to match the Western Australian State Boundary, which replaced maps OWR-OA-179(C), OWR-OA-180(C) and OWR-OA-181(C) with the new map OWR-OA-182.

Prior to 29 January 2014, water services operating outside of the Corporation's licenced area (which was the controlled area) were identified through 6 monthly reports. These reports were run in line with recommendations from the Operating Licence 2012 review.

Inquiry with the Corporation confirmed that the Builder Net System, used to lodge new applications for services (water and sewer) runs a set of validation queries against the Spatial Information Management (SIM) system and flags whether the requested service is outside of the operating licence area. Additionally, as part of the procedures to determine whether a service can be provided for new or subdivision developments, a Land Planning Check List requires the Corporation to check whether the property is within the operating licence area. Land Planning Services will also run a SIM report that advises the Operating Licence Area/s for a particular development. Further, the Land Servicing process includes a Q&A in DeveloperNet that asks the consultants about Operating Areas.

We performed sample based testing of 35 new services provided over the audit period and noted over the period 1 July 2012 to 30 June 2015 no new services were provided outside the Operating Licence area, and that services were provided on reasonable terms, or under an Agreement.

---

## Documents Reviewed:

- Operating Licence Performance Audit 2015 Pack
  - Development Services Branch Water Compliance Reporting Manual – WCRM Obligation Position Statements, 2012 Audit Findings
- Drainage Map – Water Corporation – WL32
- OWR-OA-175-1B – Ord Irr – Water Corporation
- OWR-OA-175E – Ord Irr – Water Corporation
- OWR-OA-301B – potable – Water Corporation
- OWR-OA-302B – sewerage – Water Corporation
- Validation Queries
- Service Provided By Agreement Emergency Services WI041
- Service Provided By Agreement Farmlands WI042
- Service Provided By Agreement of Reticulation Main WI038
- Service Provided By Agreement off Distribution Main WI040
- Service Provided By Agreement off Trunk Mains WI039

## Observations

<b>Audit Test Reference:</b>	<b>Audit Priority:</b>	
1	2	
<ul style="list-style-type: none"><li>- Completed BuilderNet application form – led to an agreement<ul style="list-style-type: none"><li>o Signed agreement</li><li>o Completed Agreement Action Sheet</li></ul></li><li>- Agreement For Services Rejection Letter</li><li>- PCY311 Service Connections</li><li>- S361 Declared Drainage Areas</li><li>- S380 Water Supply Services By Agreement</li></ul>		

### **Findings (Refer to Executive Summary)**

***None.***

<b>Audit Test Reference:</b> 2	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

**3.1.1: References**

- 2012 Reporting Manual Reference: 19, 20, 21, 22
- 2014 Reporting Manual Reference: 17, 18, 19, 20, 22, 24, 26, 27, 28, 69, 73, 92
- 2012 Operating Licence Clause: 7.1, Schedule 3 – Clause 2.6, Clause 2.7, Clause 2.8
- 2014 Water Services Act Section: 82(4) & 82(5), 84(2), 87(2), 90(7), 96(1), 98(3), 110(3), 112(5), 119(2)
- 2013 Water Service Regulations regulation: 29(2), 53(3)
- 2013 Water Services Code of Conduct: Clause 7

- The licensee must establish a Customer Service Charter as set out in Schedule 3
- The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their license
- The licensee must review its customer service charter at least once in every three year period.
- The licensee must provide its services consistent with its Customer Service Charter
- If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.
- If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.
- If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.
- 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.
- 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.
- If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.
- If required to by the Minister, the licensee must connect a drainage asset on land to the drainage works of the licensee.
- If required by the Minister, the licensee must modify the property drainage connection.
- The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).
- If the developer of a lot makes a request to the licensee to defer payment of an infrastructure contribution, the licensee must, subject to regulations 29(3) and 29(4), allow the payment to be deferred.
- The licensee must provide a person with a plan of the existing drainage plumbing for a building on request and on receipt of payment from the person.
- The licensee must have written information for customers about the specified matters.

**Observations**

**2012**

**Clause 7.1**

The Water Corporation had a Customer Service Charter in place during the audit period. The Charter set out the terms, principles and conditions upon which the Corporation intends to provide water services to its customers, e.g. water quality, complaints, billing and payments, etc. The Charter is written in simple English and addresses the service issues that are likely be of concern to customers.

**Schedule 3 – Clause 2.6**

The Customer Service Charter had been made available to customers in the three ways described by the licence. We confirmed through inquiry that the Charter was made available in the public reception areas of Water Corporation's Metropolitan and Regional offices and the Charter was made available on request of customers at no charge. The Charter was available in a summary and full version and these were accessible through the Corporation's website. The charter was also made available when it was mailed out alongside customer service charge accounts on the 1st of July 2012.

**Schedule 3 – Clause 2.7**

The Corporation has a defined procedure to review and make revisions for the Charter. Through inquiry of the review procedure, we noted that it outlines the roles and responsibilities for updating the Charter and the requirements over consultation, distribution and approval of any changes. A Project Management Plan provides evidence that the due process was followed and that the appropriate authorities have been involved in the revisions and approval of the Charter. We noted that the Charter was updated in June 2012.

<b>Audit Test Reference:</b> 2	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

**Schedule 3 – Clause 2.8**

The licence required the Corporation to provide services consistent with the Charter. Through inquiry and inspection of Business Performance Reports (BPR's), the Corporation monitors its service levels and internal targets against service levels described in the Charter, it was noted that there were no instances in the audit period in which the internal targets and service levels were not met.

**2014**

**Sections 82(4) & 82(5)**

Under the Water Corporations Building Proposal Notification Policy, which aligns the provisions of the Water Services Act 2012 and Building Regulations 2012, some building work is exempt and not required to be submitted to the Corporation. For building work that isn't exempt, the Development Services Branch will return a copy of the plans and specifications contained in the notice alongside any written directions about proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided as follows.

Applications lodged on line with site plans attached and email address supplied through Builder Net will automatically email plans with authorisations through to the applicant on the same day as the plans are lodged. Applications lodged manually with site plans as a hard copy will either have their scanned plans emailed to them (if an email address is provided) on the same day by a building services officer, or in the instance where no email is provided, hardcopy plans will be returned to the applicant within 7 calendar days. This can either be facilitated by Australia Post or other suitable arrangements.

**Section 84(2)**

The Development Service Branch uses agreements subdivision and additional water service works. The agreement terms articulates that 'if the applicant doesn't fulfil their agreement requirements, the Water Corporation won't provide a clearance or become the service provider'. It was noted that no notices were issued as per section 83(3) (a) of the Act during the audit period.

**Section 87(2)**

The Development Services Branch uses agreements for subdivision and additional water services works. It was noted there has been no instances of notices being issued under Section 83(3) of the Water Services Act during the audit period. However, should this occur and only where problems arise in this situation, the Corporation would consider using its powers under the Water Services Act 2012 Section 84(1), (2). It is only in this instance would a matter be escalated to the State Administrative Tribunal (SAT) as per section 87(1) and (2) which outlines the applicable parties able to refer a matter to the SAT.

**Section 90(7)**

It was confirmed through inquiry that there has been no compliance notices issued during the audit period. It was noted however that a work instruction procedure document is currently being drafted, in the eventuality that a compliance notice was to be sent, staff at the Water Corporation would be aware of the necessary requirements.

**Section 96(1)**

The Water Corporation enters into an agreement for the provision of water supply reticulation works that include the installation of fire hydrants in accordance with the requirements of FESA, or the relevant local government, as to the location and type of hydrant to be used. Water Supply reticulation works are installed in accordance with the Developers Manual and fire hydrants are installed as per the Design Standard DS63. In review of the design of water reticulation works, a design appraisal is filled out which includes a reference to 'the efficient use of hydrants'. We confirmed through inquiry and inspection of a design appraisal which was completed during the audit period, that the process was performed as described.

**Section 98(3), Section 110(3) & Section 112(5)**

It was confirmed with the Business Support Manager through inquiry and inspection of Mintrack that there has been no ministerial inquiries over the audit period. Ministerial inquiries are classified as a 'P1' which refer to Priority 1, they are documented in Mintrack which is a specific system used to track ministerial enquiries. It was noted that there are no formalised policies/procedures or work instructions in place should a ministerial inquiry come in. Should the matter arise, the Water Corporation would undertake the activity based on the procedures, terms and conditions of the time and requirements of the Minister.

**Section 119(2)**

If the licensee or the Minister is satisfied that a person is failing or has failed to comply with section 82(6) or (7), 88(1), 89(1) or (2), 91(1), 93 (1), 94(1), 99(1), 111(1) or 112(1), the licensee or the Minister may give a compliance notice. Compliance notices can be issued in regards to breaches of the standard. It was confirmed through inquiry that there have been no compliance notices issued during the audit period; however a draft work instruction is currently being documented to support any compliance notices that may be issued in the future.

**Regulation 29(2)**

As per Water Service Regulation 29, the Water Corporation must allow for the deferral of infrastructure contributions for up to a year, provided the applicant meets the eligibility criteria, and enters into an agreement on the terms and conditions. Eligibility and agreement terms and conditions can be found in the Deferral of headwork contribution agreement. There were 79 deferrals noted during the audit period.

**Regulation 53(3)**

The Water Corporation, more specifically the Development Services Branch will provide a person with a plan of the existing drainage plumbing via e-mail or fax for a building on request and receipt of the payment of the prescribed fee from the person. The DSB can only provide a copy of the plan where one is held, no fee will be charged if a plan does not exist. If no plan of existing drainage plumbing is held, the Water Corporation may still provide a 'confirmation letter' that the property is connected to the Corporation sewer and/or an E-Plan that shows the junctions where the drainage plumbing for a building connects to the Water Corporation sewer.



<b>Audit Test Reference:</b> 2	<b>Audit Priority:</b> 4	
-----------------------------------	-----------------------------	--

**Clause 7**

The Water Corporation has numerous items of information explaining the development and building processes able to read online or download from its website. The Corporation has made publically available information pertaining to entitlements under section 73 for the provision of drinking water supply services; licensee functions under section 21 concerning the provision of drinking water supply services; how to apply for a connection; things a customer must do prior to a connection being made; fees that apply to connections and the time period in which connections are to be completed. The Development Services Branch (DSB), which is based in Leederville, hold various documents explaining the development and building processes to issue to its customers on its portal. The DSB also has a series of 'information sheets' stored in Aqua (Water Corp's DMS). Information on development and building processes can also be obtained directly through the Customer Centre's 'Call Central' dashboard - customer contact/enquiry centre.

**Documents Reviewed:**

- PCY362 Building Proposal Notifications PM#12523760
- Water Service Works Agreement Template
- Water Corporation Developers Manual v1.35
- Water Corporation Design Standards DS63
- Water Corporation Water Reticulation Design Appraisal Template
- Deferral of Headwork Contribution Agreement Template
- Water Corporation Customer Charter
- ERA Annual Compliance Report 2012/13
- ERA Annual Compliance Report 2013/14
- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)

**Findings (Refer to Executive Summary)**

Within the customer charter, no explicit service targets exist for the eight specified performance areas and as such, the inferred target sits at 100%. The specified performance areas relate to written complaints, written enquiries, email enquiries, meter testing, odour complaints, urgent water faults, water pressure problems and the installation or activation of standpipes. The Corporation self-reported the following:

- 3 of 36 applications to test meters were not carried out within 10 working days or at the agreed day and time, which equates to a 91.7% performance rate.
- 297 of 8,900 general written enquiries received were not responded to within 10 business days, which equates to a 96.6% performance rate.
- 2053 of 59,585 email enquiries received were not responded to within 5 business days, which equates to a 96.5% performance rate.
- 113 of the 2,426 contacts received about poor water quality were not responded to within 2 hours or at an agreed time, which equates to a 95.3% performance rate.
- 617 of the 16,421 new services installed were not installed within 10 business says or at an agreed time, which equates to a 96.2% performance rate.
- 18 of the 525 odour complaints received were not responded to within 24 hours or the following business day, which equates to a 96.7% performance rate.
- 2,053 of the 21,623 urgent water faults reported were responded to outside 2 hours or at an agreed time, which equates to a 90.5% performance rate.
- 2,190 of the 27,806 customers who advised us of a non-water service fault were not responded to within the target time, which equates to a 92.1% performance rate.

We confirmed that the requirement for the licensee to provide its services consistent with its Customer Service Charter was removed from the Operating Licence from the 18th of November 2013.

<b>Audit Test Reference:</b> 3	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

**References**

Reporting Manual 2012 Reference: 30

Reporting Manual 2014 Reference: 174, 175, 176, 177, 178, & 179

Operating Licence version OL9,10 Clause: Schedule 3 – Clause 5.1

Operating Licence version OL11, 12, 13 Clauses: 22.1, 23.1, 23.2, 23.3, 23.6, 24.1 & 24.2

- The licensee may enter into an agreement with a customer to provide water services that may exclude, modify or restrict the terms of the license.
- 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).
- If directed by the Authority, the licensee must submit a draft customer contract for approval.
- The licensee must comply with any Customer Contract Guidelines that apply to the licensee.
- The licensee may only amend the customer contract with the Authority’s approval.
- The licensee must comply with any direction by the Authority to amend the customer contract.
- Unless clause 24.3 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 Customer Services Code without the prior approval of the Authority.

**Observations**

**2012**

***Schedule 3 – Clause 5.1***

There are circumstances where the customer and Corporation are able to enter into agreements which exclude, modify or restrict the terms and conditions set out in the operating licence. The most common examples are:

- Services off a distribution or trunk main;
- Restricted use services;
- Services where the meter is not on the property;
- Farmland Services;
- Private pressure sewer systems;
- Effluent only discharge schemes; and
- Emergency Services (such as public health and safety, or where there is a substantial disruption to a customer’s business).

Arrangements that exclude, modify or restrict the terms and conditions set out in the operating licence are governed by Service by Agreement contracts between the customer and Corporation, which must be agreed prior to the supply of water. In accordance with Schedule 3 - Clause 5.2, all variations from the standard conditions have been approved by the Authority prior to the supply of water. To facilitate the practicality of approving Service by Agreements individually, the Corporation and Authority have agreed a standardised Service by Agreement application form, outlining the condition areas of the licence that the Authority has approved the Corporation can exclude, modify and / or restrict.

**2014**

***Clauses 22.1, 23.1, 23.2, 23.3 & 23.6***

It was confirmed through inspection that the Water Corporation does not have customer contracts with Standard Terms and Conditions of Service that apply to water services. Schedule 4 of the Water Services Operating License does not have standard terms and conditions of service for the Water Corporation. The Corporation utilises agreements as opposed to customer contracts, these agreements specify any level of service the Corporation will provide to a property that differs from that in the Customer Charter, or any Corporate standard. Without standard customer contracts, the Water Corporation does not have a need for guidelines relating to the content of them. If and when directed by the ERA, to create and submit a customer contract for approval, the ERA will provide Customer Contract Guidelines for the Water Corporation to abide by. To the extent to which the provision of water services is not covered by standard terms and conditions under the license Schedule 4 or a standard customer contract, the Water Corporation applies Section 71(c) of the Water Services Act 2012 and publishes its standard terms and conditions for the provision of water services on its website.

***Clause 24.1 & 24.2***

The use of agreements has been in place prior to the application of the current Operating License. The Water Corporations 'Service by Agreement' (SBA), as the only agreement that varies the Operating Licenses Terms and Conditions, is the only one that requires the Economic Regulation Authorities (ERA) approval. The ERA amended the Operating license in August 2008 and introduced clauses 5.2 and 5.3 in Schedule 3 (which then became clauses 24.1 & 24.2 in the new legislation). A letter was sent from the ERA to the Water Corporation on the 10th of November 2008 which stated that 'the Water Corporation's standard contract for SBA's will not need to be reviewed by the Authority unless the form of the standard contract for SBA's is altered'. Since the receipt of the aforementioned letter, there has been 5 new versions of the Services by Agreement documents, as well as audit trail of all updates to template. Clarification of whether changes to the SBA template required ERA approval was sought after by the Regulation and Compliance team at WaterCorp. The response was that advised was that the changes made were of a minor and administrative nature and did not require approval.

Observations

<b>Audit Test Reference:</b> 3	<b>Audit Priority:</b> 4	
-----------------------------------	-----------------------------	--

**Documents Reviewed:**

- Service by Agreement (template) DMS #367187
- ERA Approval for Agreements 2008 DMS# 12454195
- Registration/Approval of Agreements 2014 DMS#12616428
- Services by Agreement Audit Trail

**Findings (Refer to Executive Summary)**

*None.*

<b>Audit Test Reference:</b> 4	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

**References**

2012 Reporting Manual References: 3, 4, 5, 43, 44, 45  
 2014 Reporting Manual References: 6, 7, 8, 170, 171, 172  
 Operating Licence version 9, 10 (period 1 July 2012 to 17 November 2013) Clause: 17.1, 17.2, 17.3, 17.4  
 Operating Licence version 11, 12, 13 (period 18 November 2013 to 30 June 2015) Clause: 20.1, 20.2, 20.3, 20.6

- The Licensee must have an Asset Management System in respect to the licensed activity.
- The Licensee must notify the Authority of any changes to the Asset Management System.
- The Licensee must not less than once in every period of 24 months (or such other period determined by the Authority) provide the Authority with an independent expert report, acceptable to the Authority, on the effectiveness of the Asset Management System.
- The Licensee must provide for and notify the Authority of its asset management system within 2 business days from the licence commencement date unless notified in writing by the Authority.
- The Licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.
- The Licensee must comply and require the licensee's expert to comply with the Authority's Standard Guidelines dealing with the asset management system review including, minimum requirements, regarding appointment of the expert reviewer, scope of review, conduct of the review and reporting of the outcomes of the review.
- The licensee must have an asset management system that provides for the operation and maintenance of the water service works.
- The licensee must give details of the asset management system and any changes to it to the Authority.
- A licensee must provide the Authority 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 Authority.
- The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.
- The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.
- The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.

**Observations**

**Clause 17.1 (OL 9, 10) and Clause 20.1 (OL 11, 12, 13)**

We confirmed that the Corporation has an asset management system, consisting of a number of systems and processes in place, for its licenced activity.

All assets are registered in SAP where appropriate financial considerations are made such as the value, useful life and depreciation of the asset. Asset information systems and applications include Geographic Information System (GIS) and GE - Small World for asset locations, asset monitoring via Supervisory Control and Data Acquisition (SCADA), asset inspection using Asset Condition Assessment (ACA), asset risk assessment using Asset Risk Assessment (ARA), asset reporting and analysis through Business Warehouse (BW) and SCADA data (PI), and asset maintenance and management using SAP and Mobile Computing System (MCS).

Asset Management and Operations System (AMOSS) and Operational Data Support System (ODSS) capture information from the assets themselves, or where engineers input information as a result of manual inspections. This information is used to monitor the performance of assets and develop planned maintenance programmes.

The SAP Web Portal (AMPS) links to specific Corporate information systems, including; AQUA (documents, reports etc.), BW (corporate information, reporting etc.), GIS (web link to Facilities Mapping System (FMS)), and SCF (tool to monitor the capability of a system and forecast when the Corporation needs to plan interventions).

The Infrastructure Asset Management policy effectively communicates the Corporation's overarching approach to asset management. This ensures that the Corporation's infrastructure assets are managed in a manner that meets all customers, regulatory and Corporation requirements, in a way that is economically, environmentally and socially sustainable.

Also part of the Corporation's asset management system, is the Strategic Asset Management Plan (SAMP). This document describes the overall philosophy and strategic approach to the management of the Water Corporation infrastructure asset base over a twenty year horizon. The strategic development plan and statement of corporate intent, along with the SAMP, the Corporation's asset class strategies, renewals strategies, maintenance strategies and standards and strategic investment business cases feed into the asset management system.

The requirement to notify the Authority of the Corporation's asset management system within two days from the licence commencement date is outside of the audit period under review.

**Clause 17.2 (OL 9, 10) and Clause 20.2 (OL 11, 12, 13)**

We confirmed that there were no material changes to the asset management system during the audit period. The Corporation has a procedure in place for notifying the Authority of changes to the asset management system within ten days. The procedure defines which systems are relevant and what changes are considered material. Material changes to the system are reviewed every three years, at each Asset Management System Effectiveness Review (AMSER).

## Observations

---

**Audit Test Reference:**

4

**Audit Priority:**

4

---

**Clause 17.3 and 17.4 (OL 9, 10) and Clause 20.3 and 20.6 (OL 11, 12, 13)**

At the time of our review, the report from the Asset Management System Effectiveness Review (AMSER), covering the period 1 July 2012 to 30 June 2015 had not been published. The progress report regarding the recommendations of the 2012 AMSER report was sent to the ERA in January 2015, and we confirmed the AMSER Audit Schedule for 2015. The report is due 31 December 2015.

Whilst the review period is in excess of 24 months as prescribed in the licence, the Authority had agreed the 36 month period with the Corporation.

---

**Documents Reviewed:**

- Water Corporation Primary Systems – Architectural Diagram
  - Asset Information Systems – OAG presentation 2013
  - PCY223 Infrastructure Asset Management
  - Fire Hydrants – Asset Class Strategy
  - Renewals Planning Process and Accountabilities
  - Plan Asset Maintenance
  - PCY341 Asset Maintenance
  - Assess Asset Capability (guideline)
  - Notification to ERA of Changes to Asset Management System – Procedure
  - Letter from ERA confirming 36 month period between reviews
  - Asset Management System Effectiveness Review (AMSER) – February 2013
  - Letter to ERA – progress report on AMSER recommendations – January 2015
  - Draft schedule – 2015 AMSER
- 

**Findings (Refer to Executive Summary)**

**None.**

---

## Observations

---

<b>Audit Test Reference:</b>	<b>Audit Priority:</b>
5	4

---

### References

Reporting Manual Reference: 23

Water Services Act 2012: section 96(3) and 96(4)

- The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.
- 

### Observations

#### Section 96(3) and Section 96(4)

Section 96 of the Water Services Act 2012 mandates the transfer of ownership of fire hydrants from the Department of Fire and Emergency Services (DFES) and Local Governments to relevant water utilities. In terms of the areas within the State serviced by the Water Corporation, a Memorandum of Understanding (MoU) between the Corporation and the DFES covering roles and responsibilities for the installation, removal, repair and maintenance of fire hydrants has been signed.

We confirmed that the Corporation complies with requests of the DFES and Local Governments for the installation, removal, maintenance and repair of fire hydrants on the Water Corporation's reticulation works which fall within a Fire District. The Corporation also installs fire hydrants on new works in accordance with the requirements of DFES.

---

#### Documents Reviewed:

- Fire Hydrants – Asset Class Strategy
  - Memorandum of Understanding version 1 (FESA)
  - Memorandum of Understanding version 2 (DFES)
  - Hydrants Governance Map – May 2015
  - DFES request, planning checklist and work requisition
  - Planned Work Proforma – hydrant request
  - Fire Hydrants – External Local Governments Frequently Asked Questions 2013
  - DFES requested maintenance – hydrant management process
  - Hydrants Report (PRA) – June 2015
  - S451 Maintenance Standard – Water Corporation Fire Hydrant Valves
  - DFES hydrant work request
- 

#### Findings (Refer to Executive Summary)

**None.**

---

<b>Audit Test Reference:</b> 6	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

**References**

Reporting Manual Reference: 3, 13, 16  
 Water Services Act 2012: Section 21(1)(c), Section 36, Section 77(3)

- The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.
- If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.
- The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.

**Observations**

**Section 21(1)(c) and section 77(3)**

We noted that the Corporation have a number of KPIs that assist in ensuring the continuity of water service works, and minimal interruption on associated services.

An independent review that was conducted in April 2015 identified that the Water Corporation has well established processes in place for managing planned and unplanned interruptions, with the objective of minimising the extent and duration of the interruption. Acting on recommendations of this review, the Corporation produced a position paper describing all holistic programs and activities that it has in place to minimise the extent or duration of any interruption of water services.

We confirmed that the Water Corporation has in place a number of processes and steps for immediately prior and during a service interruption to minimise its extent or duration.

Records of the length of outage time are kept in SAP PM against the work order. Where the outage will take over 6 hours to fix or where and when requested by customers for a reasonable circumstance, bottled water is made available to impacted customers.

Reviews of significant events (incidents) are conducted after the event to gather lessons learnt so as to minimise disruption in the future.

Notifications of planned outages are issued to all known impacted customers a minimum of 24 hours prior to the outage occurring. Where possible, planned work is scheduled to be conducted off-peak to minimise customer impact. As with unplanned outages, the Call Centre is kept informed of the status of the work in progress, any changes to estimated completion times and when it is completed, so they can update customers accordingly.

A number of performance KPIs (captured in BPR) are in place at the Water Corporation monitor how effectively the Water Corporations processes are minimising customer disruption, and ensuring the continuity of water services. These KPIs are reported on a monthly basis at the Manager level, and the outcomes are communicated in a timely manner to the relevant teams.

We confirmed the systems and processes that the Perth Regional Alliance (PRA) and South West Region (SWR) have in place to ensure that they continue to provide, operate and maintain the water service works specified by the Authority in accordance with their contract with the Water Corporation.

We confirmed the systems and processes that the PRA and SWR have in place to ensure that the extent or duration of any interruption of water services is minimised.

**Section 36**

We confirmed that over the period 17 November 2013 to 30 July 2014, the Corporation has not ceased to provide a water service in an area. Where the Corporation determines that it is no longer viable to supply water services to a town or large community it reports this immediately to the ERA.

The Corporation's policy "Decommission and Disposal of Infrastructure Assets" ensures that assets no longer required for the delivery of service to customers are decommissioned and/or disposed of in a planned and consistent manner.

**Documents Reviewed:**

- OC Call Centre – Responding to No Water reports
- OC Call Centre – Responding to Water Damage reports
- OC Call Centre – Responding to Water Pressure and Flow reports
- OC Call Centre – Responding to Customer Property Connection reports
- Customer Contacts Monitoring Board – Operations Centre call centre
- PCY341 Asset Maintenance
- Plan Asset Maintenance
- S415 Maintenance Standard Wastewater Reticulation
- S152 Public Safety at Construction Sites
- PCY342 Decommission and Disposal of Infrastructure Assets
- PP045 Minimising Water Service Disruption to Customers
- BPR – KPI monthly reporting

## Observations

<b>Audit Test Reference:</b> 6	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

- Water Supply – Planned Interruptions work instruction
- What you can expect as a Water Corporation customer (Customer Charter)
- Type 1 Obligation Reporting to the ERA

### **Findings (Refer to Executive Summary)**

***None.***



## Observations

---

**Audit Test Reference:**

7

**Audit Priority:**

2

---

### References

Reporting Manual Reference: 21

Water Services Act 2012: Section 95(3)

- The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.
- 

### Observations

#### Section 95(3)

We confirmed that for a water service to be cut off, an application must be made to the Building Services branch of the Water Corporation. The responsible Building Services Officer creates a work order in Grange for the required disconnection. This work order is then sent automatically to SAP, where it awaits payment from the customer before being sent to the relevant Region for the work to be allocated.

There is no formal documented procedure for Building Services to follow when processing Disconnect/Relocate Service application forms or applications received via BuilderNet. We noticed inconsistent forms and processing of applications through the sample-based testing conducted in Test reference 7.

We confirmed that there is a work instruction available outlining the Service Upgrade or Downgrade (requires a disconnection) process for Development Services to follow, when processing the upgrade or downgrade applications. In these cases, the application (and approval) for the disconnection is contained within the upgrade or downgrade application form.

We confirmed that the Perth Regional Alliance (PRA) and South West Region (SWR) process regarding the disconnection of supply begins when a scheduler or supervisor receives a disconnection work order. The PRA and SWR "Disconnect Service" work instruction defines the sequence of actions necessary to safely disconnect a service from the main in an environmentally responsible manner.

Inspection of a sample of 25 disconnection work orders over the period of 18 November 2013 to 30 June 2015 noted no exceptions.

---

#### Documents Reviewed:

- Listing of all 'Disconnect Service' work completed over the period 18 November 2013 to 30 June 2015
  - 'Disconnect Service' applications for every sample selected for testing in BuilderNet
  - Attending to Water Service Connection Faults in Target Time
  - Meter relocation or disconnection application form version 2
  - Meter relocation or disconnection application form
  - PRA Work Instruction – Disconnect Service
  - Disconnect Service check list (20-50mm)
  - Disconnect service SAP work order
- 

#### Findings (Refer to Executive Summary)

**None.**

---

<b>Audit Test Reference:</b> 8	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

**References**

Reporting Manual Reference: 32, 34, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 75

Water Services Act 2012: section 129(5), 141(1), 173(4), 174(1), 174(3), 175(2), 175(5), 176(1), 176(3), 176(4), 181, 187(1-3), 190(4), 190(5), 210(5), 218(2), 218(3)

Water Services Regulations 2013: Regulation 63

- 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.
- 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.
- 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.
- 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.
- Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.
- If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.
- 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.
- 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.
- 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 until they are not able to do so.
- 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.
- 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.
- If the licensee applies for a warrant, the application must contain the prescribed information.
- 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.
- 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.
- On completing the execution of a warrant the licensee must record the prescribed information on that warrant.
- If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.
- 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.
- 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.
- 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.

**Observations**

**Section 129(5), Section 173(4), Section 174(1) and Section 174(3)**

Where the Water Corporation performs proposed works, routine inspection or maintenance that are likely to require disturbance to property it is procedure to issue notification personally or by post to the owner or occupier, so as to be received at the property no less than 48 hours prior to intended entry.

An 'All Purposes Notice of Entry Form' is served in all circumstances. The form details the provision by which Corporation officers are empowered to enter the property, the purpose for entry, the scope of works, who the works will be undertaken by; and when the works will be undertaken.

**Section 175(5), Section 190(4) and Section 190(5)**

We confirmed that a notification card is left in instances where a dwelling entered is unoccupied. The notification card details the crew number (traceable, rather than full name for security reasons), the authorising authority, and that the dwelling has been entered. The Corporation contacted the ERA regarding whether the use of the authorised officer's traceable crew number, rather than their full name is permissible on the notification card, and will follow up with the Authority upon completion of this review.

<b>Audit Test Reference:</b> 8	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

When the occupier is present and entry is under a warrant, the authorised Water Corporation field operator gives a copy of the warrant to the occupier. Likewise, If the dwelling is entered under a warrant, and unoccupied, the authorised Water Corporation field operator leaves a copy of the warrant. On completing the execution of the warrant, the authorised field operator records their full name and official title, the date and time when the warrant was executed and any other matter prescribed.

Where the authorised field operator is not required to give a copy of the warrant, they produce the warrant for inspection by the occupier of the place concerned on entry (if practicable) and if requested to do so.

**Section 187(1-3)**

We confirmed that an authorised Corporation officer, however not a person acting on behalf of the authorised person, may apply to a justice for a warrant authorising them to enter a place. The application for a warrant to enter is made in front of a justice, unless the warrant is needed urgently, and it is reasonably suspected that a justice is not available within reasonable distance of the applicant. In this case, the application is made by remote communication.

Applications are made in writing, unless the application is made by remote communication, and it is not practicable to send the justice written material. In this case, the application will be made orally.

Applications are made under oath, unless, the application is made by remote communication, and it is not practicable for the justice to administer an oath to the applicant. In this case, the application is made in an unsworn form. If the justice issues a warrant in this case, the applicant sends the justice an affidavit as soon as practicable, which verifies the application and any information given in support of it. If the applicant fails to send an affidavit verifying the application and information given in support of it, any evidence obtained under the warrant is not admissible in court proceedings. We confirmed through inquiry and inspection of a warrant obtained during the audit period, that the process was performed as described.

**Section 176(1) and Section 181**

We noted that if the occupier of the property refuses consent to enter or asks that a Corporation field operator leave after entering, they do so as soon as possible.

When a property owner or occupier objects to entry, the field operator reports the matter to their supervisor. If the supervisor determines that entry to the property is absolutely necessary the need for further personal contact with the property owner or occupier is considered. If the matter remains unresolved after personal contact a warrant may need to be obtained. The field operator contacts the Legal Services Branch for guidance on how to obtain a warrant.

**Section 176(3), Section 176(4) and Section 210(5)**

We confirmed that in all cases where a property is occupied at the time of entry, even when a notice of entry has been served, the field operator identifies himself or herself by presenting a current Water Corporation identification card, letter or certificate to the owner and/or occupier and states or confirms the purpose of the intended entry onto the property.

The Water Corporation’s Authorised Person Register ensures that all authorisations are up to date.

**Section 175(2)**

We confirmed that if the occupier is present when entering the property, the attending field operator identifies themselves, explains their reason for entering and produces their Entry to Property card.

**Section 141(1)**

We confirmed that for all planned work in the Perth Region that is likely to break the road surface or cause a major obstruction of the road or disruption to traffic, the Corporation creates a traffic management plan (TMP).

The TMP is sent to the relevant public authority (MRWA or local government) at least 48 hours prior to commencing work. Copies of all signed TMPs are retained by the relevant region.

We confirmed that invariably unplanned or reactive work arises in the course of the Water Corporations operations. By its very nature it requires that work be commenced within a very short timeframe. In such situations the Corporation does not have sufficient time to give the relevant authority 48 hours’ notice of the work, should it include breaking the road surface or causing a major obstruction of the road or disruption to traffic. However, like planned work, a TMP is still established prior to the unplanned work commencing.

Measures are in place to assess the performance standard of such notification. The TMP date of approval from authority more than 48 hours from the commencement of work is used to determine compliance.

For works when Main Roads needs to be notified, the Supervisor (or delegate) completes and submits a Notification of Roadworks form at least 7 days prior to works commencing. Notification is sent to the organisations listed on the distribution list shown on the form (as relevant). This form is available on the Main Roads website.

**Regulation 63**

We noted that the Perth Regional Alliance Reinstatement Standard provides guidance to manage reinstatements and minimise the risk of incident or injury to the general public. This ensures that reinstatements are conducted to the required level of quality and that all hazards are appropriately controlled.

For major roads, reinstatement is immediate, or a temporary reinstatement is applied, with permanent reinstatement completed within 24 hours. If reinstatement cannot be completed within 24 hours then traffic management remains in place until completed.

For minor roads, pedestrian paths/cycle ways and verge areas, reinstatement is completed within 5 working days.

However, if the area cannot be left in a safe state, reinstatement is arranged immediately, and traffic management is left in place until the area can be made safe or reinstatement is completed. We noted that there were 4 complaints related to road reinstatements during the audit period, all of which have been resolved by the Water Corporation.

<b>Audit Test Reference:</b> 8	<b>Audit Priority:</b> 4
-----------------------------------	-----------------------------

**Section 218(2) and Section 218(3)**

We noted that the Corporation has processes in place to help ensure that they leave property, gardens and lawns as they were after services or maintenance work is complete. When an affected individual's property or equipment is lost or damaged as a result of the Corporation's actions or failure of systems, they provide reinstatement or replacement, and when this is not practicable, pay compensation.

**Perth Regional Alliance and South West Region**

**Section 129(5), 173(4), 174(1), 174(3), 175(2), 175(5), 176(1), 176(3), 176(4), 141(1), 218(2), 218(3), Regulation 63, 186, 187(1) – (3), 190(4)**

We confirmed that the systems and processes in place for the Perth Regional Alliance (PRA) and South West Region (SWR) relating to compliance with the above sections of The Act are consistent with those observed above.

We confirmed for s141(1) that the SWR has recently implemented formal procedure outlining that 48 hours written notice needs to be provided to the public authority having control or management of the road that is to be opened or broken up. Prior to the implementation of this new procedure, due to the nature of operations in the South West Region, notification to the local shire occurred via phone or in-person, and not with strictly at least 48 hours' notice.

We noted for Regulation 63 that currently the SWR has no formal procedure to follow when work requires them to open or break up the surface of a road, to ensure that they complete the relevant work and reinstate and make good the road, and take all reasonable measures to prevent that part of the road from being hazardous.

**Documents Reviewed:**

- Entry to Property procedure
- Entry to Property procedure
- Entry to Property overview training presentation for all employees
- Entry to Property notification letter
- Entry to Property notification card – when property is unoccupied at the time of entry
- Perth Regional Alliance (PRA) plan work file – notification check list
- Notification Letter – works impacting
- Compliance Officer Guide to Entry
- Compliance Officer – Certificate of Authority
- Breaking Road Work Instruction
- Entry to Property identification card
- Notice of Entry Form
- Entry to Property Register
- Traffic Management Plan – generic
- WC-OSH 111 – Traffic Management
- Perth Regional Alliance Reinstatement Standard
- Guide to entry powers for authorised persons under the Water Services Act 2012 (WA)
- ERA Annual Compliance Report 2013/14
- ERA Annual Compliance Report 2014/15
- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)

**Perth Regional Alliance**

- PRA WI – Property Entry by PRA Staff
- PRA WI – Property Entry by Subcontractors
- Notice of Entry to Property and Request of entry to property forms
- PRA – Certificate of Authority example
- PRA – completed JHA example
- PRA Breaking the Road Surface Notification Procedure
- Road and Footpath obstruction application
- PRA conflict resolution training – September 2013
- PRA Safe Job Planning Tools – JHA and JSA
- PRA WISEE Inspection Checklist – Reinstatements

## Observations

<b>Audit Test Reference:</b> 8	<b>Audit Priority:</b> 4	
-----------------------------------	-----------------------------	--

### South West Region

- Break Road Shire Notification template
- Shire contact details
- RLT Daily Review Meeting – completed 4 June 2015

### Findings (Refer to Executive Summary)

#### Section 141(1)

We confirmed that the South West Region has recently implemented formal procedure outlining that 48 hours written notice needs to be provided to the public authority having control or management of the road that is to be opened or broken up.

Prior to the implementation of this new procedure, due to the nature of operations in the South West Region, notification to the local shire occurred via phone or in-person, and not with strictly at least 48 hours' notice.

#### Regulation 63

We noted that currently, the SWR has no formal procedure to follow when work requires them to open or break up the surface of a road, to ensure that they complete the relevant work and reinstate and make good the road, and take all reasonable measures to prevent that part of the road from being hazardous.

## Observations

**Audit Test Reference:**

9

**Audit Priority:**

4

### References

Reporting Manual Reference: 93

Water Services Code of Conduct (Customer Service Standards) 2013: Clause 8

- 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.

### Observations

#### Clause 8

We confirmed that applications for new connections are received by the Development Services Team. The responsible Development Services Officer creates a SAP work order for the new connection work to be undertaken. The work order date and task code in the work order specifies that the work must be completed within 10 days.

When the Field Operator completes the work they enter the new meter details, and all other required information into their Mobile Computing device to complete the work order. This information is sent through automatically to the Business Performance Reporting (BPR) system. The BPR system provides monthly reporting on KPIs. One of the KPIs assessed and reported on is, 'are 90% of connections completed within 10 business days from when the customer has paid and complied with all relevant requirements'?

Through inspection of the BPR Performance Scorecard reports we noted the following:

- o 2012-13: 96.2% of connections completed within 10 business days
- o 2013-14: 97% of connections completed within 10 business days
- o 2014-15: 97.4% of connections completed within 10 business days

#### PRA and SWR

We confirmed the systems and processes that the PRA and SWR have in place to ensure that 90% of connections are completed within 10 business days are consistent with those observed above. Additionally, the performance levels stated above for each year of the review period include connections performed by the Perth Regional Alliance and South West Region.

#### Documents Reviewed:

- Entering New Service or Meter Feedback – information sheet for Field Operators
- Business Performance Reporting (BPR) Performance Scorecard 2014/15 financial year screenshot
- KPI description obtained from BPR– connections completed within 10 business days
- WI – Install Fully Pre-laid Service
- Business Performance Reporting (BPR) Performance Scorecard 2012/13 and 2013/14 financial year screenshots

#### Perth Regional Alliance (PRA)

- PRA balanced scorecard June 2015
- Weekly Service Delivery report
- PRA – internal communications framework
- PRA Training – Proposed Performance Framework – FY15-16

#### South West Region (SWR)

- RLT Daily Review Meeting – completed 4 June 2015

#### Findings (Refer to Executive Summary)

*None.*

## Observations

### Audit Test Reference:

10

### Audit Priority:

2

## References

Reporting Manual Reference 2012: 2, 7

Reporting Manual Reference 2014: 161, 190

Operating Licence 9, 10: Clause 19 and Schedule 4

Please note that Clause 19 is not relevant to the obligations under this test. Clause 19 relates to performance standards set in the regulations. There were no such standards in place during the audit period, thus Clause 19 is not applicable.

19.1 The licensee may seek a review of a reviewable decision by the Authority pursuant to this licence in accordance with the following procedure:

(a) the licensee must make a submission on the subject of the reviewable decision within 10 business days (or other period as approved by the Authority) of the decision; and

(b) the Authority will consider the submission and provide the licensee with a written response within 20 business days.

19.2 For the avoidance of doubt, this clause does not apply to a decision of the Authority pursuant to the Act, nor does it restrict the licensee's right to have a decision of the Authority reviewed in accordance with the Act.

– The licensee must comply with the individual performance standards as set out in Schedule 4.

Operating Licence 11, 12, 13: Clause 13.1 and Schedule 3

– The licensee must comply with the individual performance standards as set out in Schedule 3.

## Observations

### *Drought Response*

Through inquiry with management and observation and inspection of the Water Restrictions Register, we confirmed that the Corporation has not requested or initiated any restrictions under the Water Agencies (Water Restrictions) By-laws 1998 to a potable water supply.

The Water Restrictions Register details five restrictions imposed during the audit period by the Department of Water (DoW). These restrictions were applied to limit the use of reticulation to one day per week in some locations within the operating licence area.

### *Farmland Areas Water Systems Standards -Agreement Conditions, Pressure and Flow*

We noted that, the Corporation has achieved the required performance standards over the annual notification conditions of service.

**Table 1. Farmlands Areas, Agreement Conditions, Pressure and Flow**

Performance Standard	Performance indicator/target	2012/13	2013/14	2014/15
Annual notification of conditions of service.	95%	100%	100%	100%
Pressure and flow: Farmland Services	99.8% <sup>1</sup>	3	100%	100%
Pressure and flow: Rural Water Supply Schemes	99.8% <sup>2</sup>		100%	100%

## Notes

1) Maximum static pressure (metres of water): 200, minimum static pressure: not applicable and minimum flow 3kL/day per occupied house (OL 10, 11, 12, 13). Maximum static pressure (metres of water): 200, minimum static pressure: not applicable and minimum flow: over a 24 hour period 11.2L/ha/day and 3kL/day per occupied house (OL 9).

2) Maximum static pressure (metres of water): 200, minimum static pressure: not applicable and minimum flow: 1.8kL/day per occupied house (OL 10, 11, 12, 13). Maximum static pressure (metres of water): 200, minimum static pressure: not applicable and minimum flow: over a 24 hour period 5.6L/ha/day and 1.8kL/day per occupied house (OL 9).

3) The Corporation were awaiting the ERA's decision on their proposed changes to the measurement of Farmland areas pressure and flow. The pressure and flow performance levels for farmland services and rural water supply schemes were not recorded as it was not practicable to do so, which is the reason that the Corporation requested a change to the minimum flow measurement criteria.

Through observation and inspection of the Grange system we noted that the creation of a Service by Agreement for a customer automatically triggers the notification of the conditions of service by way of inclusion on their 2-monthly billing statement.

## SWR

We confirmed that the process of notification to Farmland Area customers whose services are provided by agreement receive notification as per the process outlined above.

Response to the South West Region Farmland's pressure and flow poor supply work orders and interruptions work orders was tested in the Poor Supply and Interruptions testing documented below.

## Observations

<b>Audit Test Reference:</b> 10	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

### Drains and Drainage Standards

We confirmed through inquiry with management, that an annual Drainage and Drainage Standards audit was undertaken by an independent third party to ensure the Corporation is compliant with the requirements of Schedule 4 clause 8; Drains and Drainage Standards. Through observation and inspection of Drainage and Drainage Standards audit for 2012/13, 2013/14 and 2014/15, we noted that an unqualified opinion was given for each year in the audit period.

#### **SWR**

##### **Drainage Services (Rural Drainage)**

We confirmed that the Corporation maintains existing drains to ensure that they are capable of removing water from adjacent rural properties within 3 days (72 hours) of a storm event - where contours and internal drainage make this physically possible. Where flooding occurs, the Corporation investigates the cause and if required, undertake remedial action where possible.

The Water Corporation Inspector will investigate the customer's property and the inundation. Once the cause is identified, remediation is implemented.

To ensure that the level of flood protection is maintained at 1 in 20 years for Vasse River Diversion, and 1 in 100 years for Preston River Levees, we confirmed via inquiry and inspection that the SWR Water Corporation has a maintenance plan in place.

### Customer Service Standards (only contained within Schedule 4, applicable up to 17 November 2013)

We confirmed through inspection of the Corporation's Performance Report for 2012/13 that the Corporation achieved the required performance standards outlined under section 2, Customer Service Standards.

**Table 2. Customer Service Standards performance standards**

Performance Standard	Performance indicator/target	2012/13
Answered within 30 seconds	70%	73.1%
Abandoned after 5 seconds	5%	2.3%
Complaints to be resolved within 15 business days	15 days	✓

Data for determining performance against the Schedule 4 Customer Service Standards is captured through the Corporation's telephony system (Aspect) which has system parameters defined by the Systems Team. Pre-defined Crystal reports are produced by the Resource Manager to calculate achievement of the performance standard. The Crystal reports are produced automatically on a daily basis, and then run on the first business day of every month, to report on the prior months' performance against the standards. Daily, the Resource Manager reviews the Crystal reports, and sends an email through to all Contact Centre staff with areas they need to concentrate on, in order to continue to meet the service standards. Though inspection of the supporting data and Crystal reports and recalculation of the reported performance standards we noted no exceptions in the Corporation's performance against the Customer Service Standards.

Through observation and inspection of the Customer Complaints Resolution Procedure we noted that procedures are in place to ensure that complaints are resolved within 15 business days. Every day the statistics on answered and abandoned calls, as well as the aging of unresolved complaints are reviewed in the Crystal Reports by the Resource Manager. Unresolved complaints over 10 days old are monitored by the Process & Compliance Coordinator and followed up by Customer Service Representatives as a priority to resolve.

Through the sample based testing conducted we confirmed that over the period of 1 July 2012 to 17 November 2013, the Corporation were actively reporting on, and meeting the service standards regarding customer service, as set out in Schedule 4 of The Operating Licence versions 9 and 10.

#### **PRA and SWR**

We confirmed that the systems and processes in place in the SWR and PRA are consistent with those observed and tested above.

### Potable Water System – Pressure, Flow and Continuity

Through inquiry with the Corporation and inspection of the 2012/13 and 2013/14 Performance Reports, PwC notes that with exception to the specific exemptions outlined in Schedule 3 (OL 11, 12, 13) and Schedule 4 (OL 9, 10), the Corporation has achieved the required performance standards outlined under Pressure, Flow and Continuity. The Corporation reported the following outcomes:

**Table 3. Pressure, Flow and Continuity performance standards**

Performance Standard	Performance indicator/target	2012/13	2013/14	2014/15
Pressure and Flow	99.8%*	100%	99.7%	100%
Interruptions >1 hour	75%	80.7%	80.8%	79.4%

\* Performance standard based on a minimum and maximum static pressure (metres of water) of 15/13 and 100/100 for Perth Metro and Country Urban Areas, respectively. The Minimum flow of 20L/Minute must be achieved.

#### **Notes**

- 1) This is not a service standard outlined in Schedule 3 OL 11, 12, 13 for Potable Water – Pressure and Flow.



<b>Audit Test Reference:</b> 10	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

We confirmed through inquiry, observation and inspection the supporting processes to measure, record, calculate and report against the performance standards. Water pressure/flow faults and interruptions are confirmed through investigation by field crews that respond to work orders that are raised when customers report poor pressure, flow or an interruption to supply. The Corporation's Operational Health and Safety (OHS) procedures require field crews to measure pressure and flow at the front tap in the first instance, and if pressure and flow is below the performance standard, the crew will then measure the pressure and flow at the meter. The pressure and flow measurements that are taken by the field crews are recorded within mobile PDA devices that replicate data to the Corporation's SAP system.

In order to resolve issues of incorrect feedback for poor supply work orders, the Water Corporation implemented an enhancement for poor supply feedback on the 6 November 2014. This enhancement enables the PDAs/Mobile Computing devices carried by field crew to automatically determine (from the pressure and flow input by the field crew) whether the supply at a property is confirmed, marginal or normal, and send this information back to SAP. Before the enhancement the field crew selected confirmed, marginal or normal from a drop down menu, and this process led to inconsistencies, as their selection was often inconsistent with the data that they input for pressure and flow. The reason for the past inconsistencies was the ambiguity of 'confirmed', 'marginal' and 'normal'. Training on the enhancement was provided to all staff using PDAs.

Prior to the enhancement, feedback review reports were run regularly (weekly or monthly depending on the Local User Expert). The feedback review reports allowed the Local User Expert to identify inconsistencies between what the field crew selected and the pressure and flow data that was input. They then followed up the inconsistent entries with the field crew.

Inspection of 25 work orders in relation to poor supply, and 25 work orders for interruptions (leaks and bursts) to confirm the accuracy of reporting and the conclusions drawn by field crews found no exceptions for leaks and bursts. However, testing of poor supply notes 4 instances of incorrect conclusions. These exceptions are all from prior to the PDA poor supply enhancement on the 6 November 2014. We noted that the enhancement has now been implemented, and with the additional training provided, is having positive results in eliminating such inconsistencies.

**PRA and SWR**

PwC confirmed that the systems and processes in place in the PRA and SWR are consistent with those observed and tested above.

Sewerage Systems Standards (only contained within Schedule 4, applicable up to 17 November 2013)

Through inquiry with the Corporation and inspection of the Annual Performance Reports for 2012/13 We noted that the Corporation achieved the required performance standards outlined over sewerage system standards. The Corporation reported the following outcomes:

**Table 4. Sewerage Systems performance standards**

Performance Standard	Performance indicator/target	2012/13
Overflows	99.8%	99.9%
Blockages	< 40 blockages per 100km of main	16.8

We confirmed through inquiry, observation and inspection the supporting processes utilised by the Corporation to measure, record, calculate and report against the performance standards. Overflows and blockages are confirmed through investigation by field crews that respond to work orders that are raised when customers report overflows and blockages.

Testing of 25 work orders relating to overflow and 25 work orders for blockages noted no exceptions.

**PRA and SWR**

PwC confirmed that the systems and processes in place in the PRA and SWR are consistent with those observed and tested above.

Services Provided by Agreement

Through inquiry with the Corporation and inspection of a sample of 25 new Service by Agreement arrangements, we noted that the licence requirement to ensure 90% of services newly added to the scheme and provided by agreement in the sample areas audited had documented agreements was achieved.

Irrigation (only contained within Schedule 3, applicable from 18 November 2013 onwards)

The Corporation own and operate the Ord River Dam, and provide a bulk supply or storage of non-potable water by agreement to customers within the Ord Irrigation District.

We confirmed that the Corporation notifies customers of shutting down the M1 and Ord Channel for maintenance at least 5 days prior. When planned lowering or works are scheduled to take place, the Corporation Dams Coordinator sends out an initial notification to affected customers as soon as possible via both fax and email. The Dams Coordinator then sends affected customers another email and fax notification closer to the date, with the exact dates of the lowering/works. The Dams Coordinator will also place a notice in the local newspaper advising of the date and the nature of the lowering/works. Lastly the combined spreadsheet notification and billing is updated. This spreadsheet is kept for identifying when shutdown occurs and when notifications are sent.

The Corporation provides Annual Notification to all customers that have non-potable water supplied. This is undertaken in May each year. The notification clearly states that, "Irrigation water is non potable and should be used for garden or agricultural irrigation only. It is not appropriate for any other uses including drinking, food preparation, cooking and bathing". Customers that are required to be billed are identified in the combined spreadsheet notification and billing. Their charges for the billing period will be checked before the account is

<b>Audit Test Reference:</b> 10	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

raised in Grange. Once the bill is approved by the line approver, the bill will run overnight.

We confirmed that the North West Region NWR is currently in negotiations with the Ord Irrigation Coop (OIC) and the Department of Water (DoW) to establish a process to ensure that all new ownership changes are communicated to the NWR, and thereby the Water Corporation's notification system in Grange. This will ensure that 100% of irrigation customers are provided with the not suitable for drinking notice annually, which currently is not the case.

We confirmed that irrigation water quality is monitored and maintained in line with the <1,200mg/L TDS service standard. The frequency of irrigation water quality testing is determined by the Department of Environment and Regulation (DER), and the results are captured in the Water Quality Management corporate system (WQMS). We evidenced in the TDS report for the M1 Ord Irrigation Channel, the concentration of TDS did not rise above 250mg/L over the audit period, which is well within the bounds of the required service standard.

**Documents Reviewed:**

- Water Restrictions Register
- PCY142 Temporary Water Restrictions
- Regional Temporary Water Restrictions Procedure
- Temporary water restrictions register maintenance – work instruction
- Grange auto-notification on 2-monthly billing – service conditions
- Water Corporation Performance Report 2012-13
- Water Corporation Performance Report 2013-14 part 1
- Decision on amendment to Water Services Operating Licence No. 32 – Farmlands
- 2013 Urban Drainage Design – audit report
- 2014 Drainage design audit – final report
- 2015 Drainage Design audit – final report
- Customer Charter (what you can expect as a Water Corporation customer) – complaints resolution page 25
- Procedure for reporting and measurement of 13 call Performance Standards
- Daily Customer Service Standards email
- MCS enhancement requirements for poor supply feedback – 22 September 2014
- Email – coding errors fix for poor supply (pressure & flow)
- Business Systems estimation of effort – poor supply enhancement
- Information Systems Coordinator – Local User Expert position profile
- Responding to Water Property Connection Reports
- Responding to Water Pressure and Flow Reports
- SAP PM Business Rule No 6 – Recording Poor Supply Complaints
- Responding to Sewer Overflow Calls – External
- Service by Agreement – notification to new owner
- Ord Irrigation Signed Position Statement – 29 June 2015
- Ord Irrigation Checklist 2015
- Combined Spreadsheet notification and billing
- Public Notice in Local Paper of lowering
- Fax stream notification of lowering
- Water Quality notice – example
- TDS Report for M1 Channel
- Benchmark Performance report submission letter – 2012-13
- Minor Town data 2012-13
- Performance reporting submission email 2013-14
- Minor Towns Performance Reporting 2013-14 submission 1
- Performance reporting 2013-14 resubmission email
- Minor Towns Resubmission 2013-14
- Water Corporation Performance Report 2012-13 part 2

## Observations

<b>Audit Test Reference:</b> 10	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

- Water Corporation Performance Report 2012-13 – email correspondence with ERA
- Water Corporation Performance Report 2013-14 part 2
- ERA Annual Compliance Report 2012/13
- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)

### Perth Regional Alliance (PRA)

- Weekly Service Delivery report
- PRA - customer service mapping brief
- PRA – internal communications framework

### South West Region (SWR)

- Rural drainage services
- SWR Flood Protection Levels Vasse Diversion and Preston River
- Weed Control work order – in email
- Harvey – Action Log Flooding of Cherubinos property December 2012 – PDF
- PCY239 Rural Drainage
- Generic work instruction – levee bank (drainage) inspection
- Cross-sectional Survey 13 April 2015 – Preston River
- Hydrology review – Vasse River Diversion – Briefing Note June 2015
- Vasse Diversion Drain Cross Section 2013
- Guidelines Private Crossings on WC Drains
- Application acceptance letter with conditions
- Busselton foot bridge project – sketch
- Assessment of customers application for rural drainage structure – refused
- Application refused as not enough information provided
- Two-hour Response KPI (For Faults) – SWR – Last 7 days 22 June
- RLT Daily Review Meeting – completed 4 June 2015

### Findings (Refer to Executive Summary)

#### Ord Irrigation

Currently, new customers may be missed from receiving the annual irrigation water quality notification when their property purchase does not go through the EAS system, or it does and is not matched to an account automatically or through follow-up. These cases are identified at the time annual statements are sent. The annual statement (containing the water quality notice) for the property with the irrigation service is sent to the old owner, who then notifies the Water Corporation that the property has been sold/changed ownership. The Water Corporation is then able to follow-up details with the new owner.

We confirmed that the NWR is currently in negotiations with the Ord Irrigation Coop (OIC) and the Department of Water (DoW) to establish a process to ensure new ownership changes are communicated to the NWR, and thereby the Water Corporation's notification system in Grange. This will ensure that 100% of irrigation customers are provided with the not suitable for drinking notice annually, which currently is not the case.

<b>Audit Test Reference:</b> 11	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

2012 Reporting Manual Reference: 33, 34, 35, 36, 37, 38, 39, 40  
 2014 Reporting Manual Reference: 184, 185, 186, 187, 188, 189  
 2012 Operating Licence Clause: 9.1, 9.2(c), 9.2(d), 9.2(e), 9.4, 9.5, 9.6, 9.7  
 2014 Operating Licence Section 12- Clause: 31.1, 31.2, 31.3, 31.4, 31.5, 31.6

- The licensee must enter into a MoU with the Department of Health (DoH) as soon as practicable after the commencement date.
- The licensee and DoH must review and renew the MoU every 3 years.
- The licensee must provide the Authority with a complete copy of the MoU within one month of entering into the MoU
- The licensee must provide the Authority with any amendments to the MoU within one month of entering into any amendments to the MoU
- The licensee must comply with the terms of the MoU
- The licensee must publish the MoU and any amendments to the MoU within one month of signing (subject to the confidentiality clause 22.3 in the licence)
- The licensee must publish the audit report on compliance with its obligations under the MoU on the licensee's website within one month of the completion of the audit.
- The licensee must publish its Potable Water Quality Reports quarterly or at a reporting frequency agreed with the Department of Health
- The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.
- The Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health.
- The licensee must comply with the terms of the Memorandum of Understanding.
- The licensee must publish the Memorandum of Understanding and any amendments to the Memorandum of Understanding within one month of signing or making the amendment.
- The licensee must publish the audit report on compliance with its obligations under the Memorandum of Understanding on its website within one month of the completion of the audit.
- The licensee must publish any reports required by the Department of Health or set out in the Memorandum of Understanding on the licensee's website quarterly or at a reporting frequency specified by the Department of Health.

**Observations**

**2012**

**Clause 9.1**

We confirmed through inquiry and observation with the Operations Support Manager that the Corporation has a current Memorandum of Understanding (MoU) with the Department of Health (DoH). The MoU was signed by the Corporation and DoH on 5 November 2007 for a period of 5 years ending November 2012. We confirmed that the MoU is available on the Corporation's public website.

**Clause 9.2 (c)**

At the time that the licence was drafted, the standard period of currency for a MoU was three years. Through inquiry with Authority we confirmed that the secretariat acknowledged receipt of the Corporation's MoU on 28 December 2008 and interprets clause 9.2(c) of the licence as having a period of five years instead of three years.

**Clause 9.2(d)**

We confirmed through inquiry and observation with the Operations Support Manager that the current MoU was entered into on 4th November, 2007. As such, there has been no requirement during the audit period to provide the Authority a complete copy of the MoU within one month of entering into the MoU

**Clause 9.2(e)**

We confirmed through inquiry with the Operations Support Manager and inspection of the current MoU, that it has remained unchanged since commencement in November 2007. As such, there has been no requirement during the audit period to provide any amendments to the Authority.

**Clause 9.4**

To ensure the Corporation complies with the terms of the MoU, we confirmed through inquiry and observation that a compliance audit is performed every 3 years. The last audit was performed by an independent third party and published on the Corporation's website in August 2012, reporting on compliance for the period 1 July 2009 to 30 June 2012.

**Clause 9.5**

The Water Corporation is required to publish the MoU and any amendments to it within one month of signing. We confirmed through inspection that the original MoU is published on the Water Corporation website. We confirmed through inquiry with the Operations

<b>Audit Test Reference:</b> 11	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

Support Manager and inspection of the current MoU, that it has remained unchanged since commencement in November 2007. As such, there has been no requirement to publish any amendments during the audit period.

**Clause 9.6**

We confirmed through inquiry with the Operations Support Manager that the 2012 water quality management audit was performed by an independent third party the report was published in August 2012. The report was made publically available on the Corporations website one month after completion.

**Clause 9.7**

We confirmed through inspection of correspondence between the DoH, and the Corporation, that the DoH has approved annual reporting of Potable Water Quality reports for 2011/12 and 2012/13. We confirmed through observation and inspection that Potable Water Quality reports are published on the Corporation’s website.

**2014**

**Clause 31.1**

We confirmed through inquiry and observation with the Operations Support Manager that the Corporation has a current Memorandum of Understanding (MoU) with the Department of Health (DoH). The MoU was signed by the Corporation and DoH on 5 November 2007 for a period of 5 years ending November 2012. Through inspection of meeting minutes of the Water Corporation and DoH monthly meetings, it was noted that in August 2013 that the DoH gave approval for the out-dated MoU to continue to apply until the MoU to be renewed. It was confirmed through inspection that the Memorandum of Understanding is currently being updated and lies with the Department of Health currently for editing.

**Clause 31.2**

To ensure the Corporation complies with the terms of the MoU, we confirmed through inquiry and observation that a compliance audit is performed every 3 years. The last audit was performed by an independent third party and published on the Corporation’s website in August 2012, reporting on compliance for the period 1 July 2009 to 30 June 2012. It was confirmed through inquiry that a compliance audit is currently being performed with the report due to be published in September 2015.

**Clause 31.3**

To ensure the Corporation complies with the terms of the MoU, we confirmed through inquiry and observation that a compliance audit is performed every 3 years. The last audit was performed by an independent third party and published on the Corporation’s website in August 2012, reporting on compliance for the period 1 July 2009 to 30 June 2012. It was confirmed through inquiry that the current compliance audit is currently being performed with the report due to be published in September 2015. We also noted that the Corporation has an internal working document which helps to ensure that the Corporation is complying with the requirements of the MoU.

**Clause 31.4**

We confirmed through inquiry with the Operations Support Manager and inspection of the current MoU, that it has remained unchanged since commencement in November 2007. As such, there has been no requirement during the audit period to provide any amendments to the Authority.

**Clause 31.5**

To ensure the Corporation complies with the terms of the MoU, we confirmed through inquiry and observation that a compliance audit is performed every 3 years. The last audit was performed by an independent third party and published on the Corporation’s website in August 2012, reporting on compliance for the period 1 July 2009 to 30 June 2012. It was confirmed through inquiry that the current compliance audit for the period of 1 July 2012 to 30 June 2015 is currently being completed at the time of the operational license audit.

**Clause 31.6**

We confirmed through inspection of correspondence between the DoH and the Corporation, that the DoH has approved annual reporting of Potable Water Quality reports for 2013/14. At the time of our audit, the 2014/15 Potable Water Quality report has not yet been finalised.

**Documents Reviewed:**

- Memorandum of Understanding between the Department of Health and Water Corporation for Drinking Water. Dated 5/11/2007
- Department of Health & Water Corporation – Minutes of Audit Meeting. Dated 15/8/2013
- Drinking Water Quality Process Management Manual PM#1125194-v9C
- Drinking Water Quality Management Performance Report 2012
- Drinking Water Quality Annual Report 2011/2012
- Drinking Water Quality Annual Report 2012/2013
- Drinking Water Quality Annual Report 2013/2014
- ERA Annual Compliance Report 2012/13
- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)

**Findings (Refer to Executive Summary)**

The Memorandum of Understanding (MoU) is reviewed once every five years. This timeframe is set by the Department of Health (DoH), as owners of the MoU. However, under clause 9.2(c) of the Operating Licence, there is a requirement to review and renew the MoU not less than once every three years.

We confirmed that the specific requirement to review and renew the MoU not less than once every three years has been removed in the new

Observations

<b>Audit Test Reference:</b> 11	<b>Audit Priority:</b> 4	
Operating Licence from 18th November 2013.		

## Observations

<b>Audit Test Reference:</b> 12	<b>Audit Priority:</b> 3
------------------------------------	-----------------------------

### References

Reporting Manual Reference: 5

Water Services Act: Section 23 – Clause 29.1

- 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 an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.

### Observations

#### **Section 23 – Clause 29.1**

Through inquiry with the Infrastructure Markets Manager, it was noted the Water Corporation owns most assets that are used in the provision of water service works. Where assets are not held by the Corporation, a 'suitable agreement' has to be found with a 3<sup>rd</sup> party, so that the Corporation can legally use these assets. An agreement may refer to a contract with a shire, a memorandum of understanding with a 3<sup>rd</sup> party, or in the case of water carting service, a purchase order may be utilised.

Through sample based testing of 25 3<sup>rd</sup> party based assets from a range of the Corporations geographical jurisdictions, it was noted that 23 of the 25 has either one of the aforementioned contracts, Memorandum of Understanding or Purchase Orders in place. For the remaining 2 which did not have suitable agreements in place, we confirmed they were not used by the Corporation during the period and therefore no agreement was required.

#### **Documents Reviewed:**

- Recycled Water Supply Agreement – Water Corporation and the Shire of Pingelly

#### **Findings (Refer to Executive Summary)**

**None.**

<b>Audit Test Reference:</b> 13	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

- 2012 Reporting Manual Reference: 6, 32, 42, 47, 48, 49
- 2014 Reporting Manual Reference: 9, 162, 165, 166, 167, 168, 169
- 2012 Operating Licence Clause: 16.1, 16.2, 21.1, 21.2, 22.2, 22.4, Schedule 3 – Clause 6
- 2014 Operating License Clause: 14.1, 14.4, 16.1, 16.2, 16.3, 17.2, 18.1
- The licensee must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.
- The licensee must comply, and must require the licensee's auditor to comply, with the Authority's standard audit guidelines dealing with the operational audit, including any minimum requirements relating to the appointment of the auditor, the scope of the audit, the conduct of the audit and the reporting of the results of the audit.
- The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.
- The licensee must comply with the information reporting requirements as set out in Schedule 5.
- Subject to clause 22.3, the licensee must publish the information referred to in clause 22.1.
- Once it has reviewed the decision, the Authority will direct the licensee in accordance with the review to:
  - (a) publish the information;
  - (b) publish the information with the confidential information removed or modified; or
  - (c) not publish the information.
- The licensee must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.
- The licensee must cooperate with the independent expert and comply, with the Authority's standard audit guidelines dealing with the operational audit.
- The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.
- The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the Water Compliance Reporting Manual which apply to the licensee.
- Without limiting clause 16.1, the licensee must provide the Authority with the data required for performance reporting purposes that is specified in:
  - (a) the Water Compliance Reporting Manual;
  - (b) the National Performance Framework: urban performance reporting indicators and definitions handbook.
  - (c) Not used.
- Subject to clause 17.3, the licensee must publish the information referred to in clause 17.1.
- Unless otherwise specified, all notices must be in writing.

**Observations**

**2012**

**Clause 16.1**

Through inspection of correspondence between the Authority and the Corporation, we confirmed that the previous operational audit was completed in September 2012 and covered the period 1 July 2009 to 30 June 2012.

**Clause 16.2**

For the period of 1 July 2012 to 17 November 2013, the Corporation was responsible for complying with the audit guidelines at all stages of the audit. The Authority was responsible for appointing the Auditor. At the conclusion of the 2012 Operational Audit, the ERA prescribed the timeframe for the next audit. The 2012 Operational Audit was conducted as prescribed with the 2012 Audit Report and 2012 Audit Plan being conducted in line with the Authority's Standard Audit Guidelines.

**Clause 21.1 and 21.2**

It was confirmed through inquiry that the Water Corporation identifies the following information to be provided to the ERA as per the requirements of the Compliance Reporting Manual and the National Performance Framework (NPF): Type 1 Obligation Reporting, Annual Compliance Reports, Performance Reporting - Submission of Data and National Performance Audit Reports. This has excluded any information provided under separate licence obligations.

Compliance Reports are required to be submitted on an annual basis by the 31st of August to the ERA. The Corporation has developed work instructions to provide step by step instructions for Type 1 Obligation reporting and compliance reporting. As per NPF requirements, the Corporation is required to submit a National Performance Report Audit to the ERA on a three yearly basis, the last audit was completed in October 2013.

For all other information requests received from the Authority, the Corporation has developed a tracking spreadsheet for all Authority correspondence and resultant actions. A work instruction document has been attached to accompany the register. Through this tracking



<b>Audit Test Reference:</b> 13	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

spreadsheet that actions arising from correspondence can be traced.

**Clause 22.2 & 22.4**

We noted through inquiry and inspection that the Corporation has not been directed by the ERA to publish any information during the reporting period. If, in the event the Corporation is required to publish any information, direction from the ERA will be received in writing, and correspondence will be monitored through the ERA correspondence and action register.

**Schedule 3 – Clause 6**

We confirmed through inquiry and inspection of correspondence from the Authority that there had been no request to conduct a customer survey during the audit period. This obligation was deemed no longer a requirement of the updated legislation.

**2014**

**Clause 14.1**

PricewaterhouseCoopers has been engaged by the Corporation to perform the operating licence audit for the period 1 July 2012 to 30 June 2015. Through inspection of correspondence between the Corporation and the licensee, a timeframe of 36 months between audits was agreed between the ERA and the Water Corporation.

**Clause 14.4**

For the period of 18 November 2013 to 30 June 2015, the Authority was responsible for appointing the Auditor to conduct the Operational Audit. Through inspection and observation it was noted that PricewaterhouseCoopers was engaged as the operational license auditor. The Water Corporation has developed internal work instructions for the facilitation of the Operational Audit. Work Instructions include steps to make sure that the Corporation is adequately prepared for the Audit. The Corporation also maintains a document entitled 'Summary of Operating License Requirements and Documents' that lists all the license obligations, responsible business areas and key documents associated with the obligations.

**Clause 16.1& 16.3**

It was confirmed through inquiry that the Water Corporation identifies the following information to be provided to the ERA as per the requirements of the Compliance Reporting Manual and the National Performance Framework (NPF): Type 1 Obligation Reporting, Annual Compliance Reports, Performance Reporting - Submission of Data and National Performance Audit Reports. This has excluded any information provided under separate licence obligations.

Compliance Reports are required to be submitted on an annual basis by the 31st of August to the ERA. The Corporation has developed work instructions to provide step by step instructions for Type 1 Obligation reporting and compliance reporting. As per NPF requirements, the Corporation is required to submit a National Performance Report Audit to the ERA on a three yearly basis, the last audit was completed in October 2013. We noted that all compliance reports had been submitted to the Authority prior to the stipulated deadline.

For all other information requests received from the Authority, the Corporation has developed a tracking spreadsheet for all Authority correspondence and resultant actions. A work instruction document has been attached to accompany the register. Through this tracking spreadsheet that actions arising from correspondence can be traced.

**Clause 16.2**

Schedule 5 sets out the information requirements in regards to reporting. The licensee has provided the Authority with data required

It was confirmed through inquiry that the Water Corporation identifies the following information to be provided to the ERA as per the requirements of the Compliance Reporting Manual and the National Performance Framework (NPF): Type 1 Obligation Reporting, Annual Compliance Reports, Performance Reporting - Submission of Data and National Performance Audit Reports. This has excluded any information provided under separate licence obligations.

Compliance Reports are required to be submitted on an annual basis by the 31st of August to the ERA. The Corporation has developed work instructions to provide step by step instructions for Type 1 Obligation reporting and compliance reporting. As per NPF requirements, the Corporation is required to submit a National Performance Report Audit to the ERA on a three yearly basis, the last audit was completed in October 2013. We noted that all compliance reports had been submitted to the Authority prior to the stipulated deadline.

**Clause 17.2**

It was confirmed through inquiry that the Corporation interprets this obligation as a requirement to publish any information as directed by the ERA. It was noted through inquiry and observation that the Corporation has not been directed by the ERA to publish any information during the reporting period. If, in the event the Corporation is required to publish any information, it is assumed that direction from the ERA will be received in writing, and correspondence will be monitored through the ERA correspondence and action register.

**Clause 18.1**

The Corporation has defined a 'notice' as any notice other than a compliance notice made from/to the Economic Regulation Authority. All formal correspondence between the Authority and the Corporation is in writing via email or letter. This is to ensure an audit trail is maintained for all critical decisions. The Corporation has developed a correspondence and action tracking register to record all correspondence to the Authority in regards to licensing and performance reporting issues.

**Documents Reviewed:**

- PwC 2012 Operational License Performance Report

## Observations

<b>Audit Test Reference:</b>	<b>Audit Priority:</b>
13	4

- Water Corporation Operating License Audit Plan
- Letter to Mrs Sue Murphy dated 6<sup>th</sup> of December 2012. Ref#D100378
- Letter to Mrs Sue Murphy dated 25<sup>th</sup> of July 2012. Ref#D92466
- Letter to Mrs Sue Murphy dated 25<sup>th</sup> of March 2015. Ref#D138049
- Operational Audit Work Instruction Document PM#368798
- Summary of Operating Licence Requirements & Documents Work Instructions PM#393766
- Type 1 Obligation Reporting to the ERA Work Instruction Document PM#6244047
- Water Corporation, National Performance Report 2012/13 Audit
- ERA Correspondence Register
- Regulation and Compliance – ERA Correspondence Register and Action List Work Instruction Document PM#12509702

### **Findings (Refer to Executive Summary)**

***None.***

<b>Audit Test Reference:</b> 14	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

**References**

2012 Reporting Manual Reference: 23, 24, 25, 26  
 2014 Reporting Manual Reference: 10, 11, 12, 156, 157, 158, 159  
 2012 Operating Licence Clause: 8, Schedule 3 – 4.1, 4.2 & 4.3  
 Water Services Act: Section 26(3) – Clause 5.2, Section 27- Clause 5.3, Section 29 – Clause 26.1, Section 12 – 5.1, 5.2, 5.3, 5.4

- The licensee must establish customer consultation processes as set out in Schedule 3
- The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.
- The licence must consult the Authority on the type and extent of consultation to be adopted by the licensee.
- The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.
- The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.
- The licensee must comply with the code of conduct that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence.
- 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.
- Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.
- The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.
- 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.
- The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.

**Observations**

**2012**

***Clause 8 & Schedule 3 – Clause 4.1***

As per Schedule 3 of the prior Operating Licence, the licensee must establish ongoing customer consultation processes which both inform customers and proactively solicit customer opinion on the licensee’s operations and delivery of services. We confirmed through inspection and inquiry that a Customer Advisory Council had been set up to address this. We reviewed the Customer Advisory Council Terms of Reference and meeting minutes that this Council is charged with maintaining a customer consultation process. The Customer Council is comprised of a minimum of 11 members who are selected by the General Managers of the regional customer services groups and the Metropolitan customer services groups. Meetings are held monthly and minuted. The membership body must be represented by a minimum composition of representatives from the Perth Region, Country regions and Consumers Association of WA.

***Schedule 3 – Clause 4.2***

Inquiry and inspection of correspondence from the Authority noted that the Authority acknowledges the Customer Advisory Council as meeting the requirements for Schedule 3, clause 4.

***Schedule 3 – Clause 4.3***

Through inquiry and inspection of correspondence from the Authority, we confirmed that the Authority has not made a request of the Corporation to establish additional forums for consultation (other than set out in Schedule 3, clause 4 of the licence) to enable community involvement in issues relevant to license obligations under Schedule 3, clause 4 of the Licence, at any time in the current audit period.

**2014**

***Section 26(3) – Clause 5.2***

It was confirmed through inquiry that during the audit period, the Minister had not made a Code of Practice applicable to the Corporation or its Operating License. A process would only be developed and implemented if a Code of Practice had been made by the minister. As per Section 26(9) of the Act, the Minister is required to consult with the Corporation before making a code of practice.

***Section 27- Clause 5.3***

Obligation 11 requires the Corporation to comply with any Code of Conduct made by the Authority. The Minister for Water has made the Water Services Code of Conduct (Customer Service Standards) 2013 the applicable Code of Conduct. It was confirmed through inquiry that if an individual component within the Code of Conduct is not met, it will result in non-compliance due to a breach of Obligation 11. The Code does not provide a percentage target which needs to be met for an individual component; therefore it is assumed that there is a 100% compliance target. Additionally, compliance is dependent on other processes that meet requirements of the Code. The Corporation identifies it may be non-compliant with Obligation 11. The reasoning behind this is due to the Corporation being non-compliant with components of the Code which are covered under separate licence obligations, such as the Financial Hardship Policy covered in Obligation 125. We inspected a letter from the ERA, identifying the Corporation should review its compliance with the Code of Conduct. We also inspected formal notification of non-compliance with Obligation 125.

<b>Audit Test Reference:</b> 14	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

**Section 29 – Clause 26.1**

Obligation 12 requires the Corporation to comply with the Water Services Act 2012 (the Act) in its entirety and if an individual clause within the Act is not met, Obligation 12 is also not met resulting in additional non-compliances. Section 175(5) of the Act requires the Corporation to provide an authorised persons full name on a notice left at an unoccupied dwelling. For security reasons, the Corporation does not provide full names. As such, the Corporation was non-compliant with Obligation 12.

**Section 12 – 5.1**

Clause 5.1 of the license states that the Licensee must comply with all applicable legislation. Clause 1 of the License defines applicable legislation as the Water Services Act, Water Services Code of Conduct or Water Service Regulations. Requirements of the Act, Regulations and Code are covered under separate licence obligations. Water Services Act 2012 (Obligations 1-64), Water Service Regulations 2013 (Obligations 65-91), Water Services Code of Conduct 2013 (Obligations 92-154). Should the Corporation be non-compliant with any obligation from 1-154, the Corporation will be deemed to be non-compliant with obligation 156. The Corporation has determined it may be non-compliant with Obligation 156, this is due to the fact that the Corporation is non-compliant with Clauses of the Act that are covered under separate Licence Obligations such as the non-compliance noted for Obligation 53.

**Section 12 – 5.2**

It was confirmed through inquiry that during the audit period, the Minister had not made a Code of Practice applicable to the Corporation or its Operating License. A process would only be developed and implemented if a Code of Practice had been made by the minister. As per Section 26(9) of the Act, the Minister is required to consult with the Corporation before making a code of practice.

**Section 12 – 5.3**

It was noted that Obligation 158 requires the Corporation to comply with any Code of Conduct made by the Authority. The Authority has made the Water Services Code of Conduct (Customer Service Standards) 2013 the applicable Code of Conduct. It was confirmed through inquiry that if an individual component within the Code of Conduct is not met, it will result in a non-compliance due to a breach of Obligation 11. The Code does not provide a percentage target which needs to be met for an individual component; therefore it is assumed that there is a 100% compliance target. Additionally, compliance is dependent on other processes that meet requirements of the Code. The Corporation identifies it may be non-compliant with Obligation 11. The reasoning behind this is due to the Corporation being non-compliant with components of the Code which are covered under separate licence obligations, such as the Financial Hardship Policy covered in Obligation 125. We inspected a letter from the ERA, identifying the Corporation should review its compliance with the Code of Conduct. We also inspected formal notification of non-compliance with Obligation 125.

**Section 12 – 5.4**

Under the provision of information clause (16.2), the Corporation is required to notify the Authority immediately of Type 1 non-compliances and report annually on all non-compliances. We confirmed that there were no Type 1 non-compliances reported during the audit period. The Corporation has identified three occasions where a direction was received from the Authority. On the 5th of September 2014, the Corporation received an email from the Authority stating non-compliance was identified against obligation 128. On the 17th September 2014, the Corporation received a letter from the Authority stating the Corporation is expected to re-assess compliance with Part 4 of the Code and on the 27th of January 2015, the Corporation received a letter from the Authority stating that Authority expects the Corporation to amend its Financial Hardship Policy by no later than the 1st of March 2015. The Water Corporation followed the directions issued by the Authority and the breach was rectified. The Financial Hardship policy was approved on 20 May 2015.

**Documents Reviewed:**

- Water Compliance Reporting Manual Obligation Non-Compliance Letter Dated 4 June 2015. Ref#CEO2062015
- Customer Advisory Council Terms of Reference
- Customer Advisory Council Agenda September 2014. Dated 17 September 2014

**Findings (Refer to Executive Summary)**

The Corporation identifies it may be non-compliant with Obligation 11. The reasoning behind this is due to the Corporation being non-compliant with components of the Code which are covered under separate licence obligations, such as the Financial Hardship Policy covered in Obligation 183.

It was identified that the Corporation was non-compliant with Obligation 12. Section 175(5) of the Act requires the Corporation to provide an authorised persons full name on a notice left at an unoccupied dwelling. For security reasons, the Corporation does not provide full names

## Observations

<b>Audit Test Reference:</b> 15	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

### References

2012 Reporting Manual Reference: 8  
2014 Reporting Manual Reference: 155  
Water Services Coordination Regulations Section 2 - Clause 4.1  
Water Services Act Section 12 - Clause 4

- The licensee must pay the applicable fees in accordance with the Regulations

### Observations

#### **Clause 4**

During the period of 18 November 2013 to 30 June 2015, the Water Services Regulations provided a provision for an annual licence fee as well as a Standing Charge fee to be paid by the Water Corporation. These regulations came into effect on 1 January 2015. As such, on the 9th of June 2015, the ERA issued the first annual invoice for a licence charge and issued the first quarterly standing charges invoice on the 29th of June 2015. Payment of the licence charge invoice occurred on the 18<sup>th</sup> of June 2015 and payment of the standing charges invoice occurred on the 30<sup>th</sup> of June 2015. The Regulations also provide a provision for the Authority to charge the Water Corporation for specific charges. No specific charges have been invoiced by the ERA during the audit period.

During the period between 1 July 2012 to 17 November 2013, no fee was required to be paid.

#### **Documents Reviewed:**

- Economic Regulation Authority (Licensing Funding) Regulations 2014
- Invoice #ERA100341
- Invoice #ERA100384
- Annual Licence Fee Remittance #ERA100341
- Standing Charges Fee Remittance #ERA100384
- ERA Annual Compliance Report 2013/14
- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)

#### **Findings (Refer to Executive Summary)**

**None.**

## Observations

<b>Audit Test Reference:</b> 16	<b>Audit Priority:</b> 5
------------------------------------	-----------------------------

### References

Reporting Manual Reference: 14 & 181

Operating Licence Clause: 25.1

- 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.
- 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.

### Observations

#### **Clause 25.1**

The Water Corporation has developed the Supplier of Last Resort Procedure document to outline the regulatory requirements and procedure to be taken in circumstances where the Corporation is appointed as supplier of last resort, per Section 60 of the Act.

The Water Corporation may be appointed the supplier of last resort by the ERA through an expression of interest process and notice in writing to the Corporation per Section 55 (2) of the Act, or by the Minister through written notification if no suitable expressions of interest are received or if there is insufficient time to invite expression of interest per Section 55 (3). All correspondences with the ERA have been logged in the ERA Correspondence Register since 1 January 2015 and were previously printed and stored in hard copy files as well as being stored on the Corporations Document Management System. Ministerial correspondences are recorded in the MinTrack system.

We confirmed through inquiry and inspection of the ERA Correspondence Register, hard copy files and MinTrack that The Water Corporation was not appointed as a supplier of last resort during the period 18 November 2013 to 30 June 2015. As such, no further action was required by the Corporation.

#### **Documents Reviewed:**

- ERA Correspondence Register PM#12499141
- Supplier of Last Resort Procedure PM#13109526

#### **Findings (Refer to Executive Summary)**

**None.**

## Observations

<b>Audit Test Reference:</b> 17	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

### References

2014 Reporting Manual Reference: 160

2012 Reporting Manual Reference: 41

Operating Licence Clause: 12

- 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.

### Observations

#### **Clause 12**

Clause 12 outlines the need for the Water Corporation to maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.

The Water Corporation is audited on an annual basis by two independent organisations, one of them being the Officer of the Auditor General, the other being Financial Services firm KPMG. Both organisations signed unqualified audit opinions on the financial statements of the Water Corporation. As per the Office of the Auditor General's opinion on the financial statements, the Water Corporation has maintained accounting records that comply with Australian Accounting Standards. This opinion was also noted in the 2013 and 2012 Auditors report.

#### **Documents Reviewed:**

- 2014 Office of the Auditor General Audit Opinion Report
- 2013 Office of the Auditor General Audit Opinion Report

#### **Findings (Refer to Executive Summary)**

**None.**

## Observations

<b>Audit Test Reference:</b> 18	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

### References

2012 Reporting Manual Reference: 46

Operating Licence Clause: 18.1

2014 Reporting Manual Reference: 163, 164

Operating Licence Clause: 15.1 (a), (b), (c) & (d)

- The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations
- 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.
- The licensee must report to the authority if it is under external administration within 2 business days or significant change in its financial or technical circumstances within 10 business days.

### Observations

#### 2012

##### **Clause 18.1**

Through inquiry with the Financial Accounting Manager, it was confirmed that at no time during the period 1 July 2012 to 17 November 2013, was the Corporation under external administration. Additionally, through observation of the audit opinion from the Auditor General, for the year to 30 June 2013 and 2014 we confirmed that no going concern issues were raised. It was also noted that the Corporation frequently communicates with the Authority via the Chief Finance Officer, who is responsible for notifying the Authority should the Corporation ever find itself in administration or where significant change in its financial or technical circumstances arise. It was that a "significant change" is defined as a change to financial or technical circumstances that may affect the Corporation's ability to meet its obligations under this licence.

#### 2014

##### **Clause 15.1 (a), (b) & (c)**

Through inquiry with the Financial Accounting Manager, it was confirmed that at no time during the period 18 November 2013 to 30 June 2015, was the Corporation under external administration. Additionally, through observation of the audit opinion from the Auditor General, for the year to 30 June 2014 we confirmed no going concern issues were raised. It was noted the Audit opinion for the 2015 Financial Year was still being formed and as such could not be sighted at the time of the audit. It was also confirmed there had been no material change to the company's technical, financial or corporate circumstances during the period of our audit, nor had there been a change to the Corporation's ABN, work address or name.

##### **Clause 15.1 (d)**

Through inquiry with the Regulation and Compliance Manager it was noted there is no requirement to notify the ERA when the Water Corporation is performing 'general works'. This is due to the volume of general works that are performed. General works that have disputes which cannot be resolved are reported to the Minister for follow up. It was confirmed that major works performed by the Corporation must be reported within 10 business days. The Water Corporation has a work instruction document in place that outlines the procedure for notifying the ERA in regards to Major Works. We confirmed that there had been four major works which were being performed during the audit period. Through inquiry and inspection of the ERA notification for one major work which was undertaken during the audit period, we noted that the ERA was notified more than 10 days in advance of the date of operational commencement, in accordance with the process described.

### Documents Reviewed:

- 2014 Office of the Auditor General Audit Opinion Report
- 2013 Office of the Auditor General Audit Opinion Report
- Informing the ERA of Major Works Work Instruction PM#10415070
- Notification of Major or General Works – Water Services Licence WL32 ERA 12702482
- Request for authorisation to proceed with construction of CS01768 Subiaco Wastewater treatment plant interim upgrade to 67 ML/d  
Letter Reference: CEO0222015

### Findings (Refer to Executive Summary)

**None.**



## Observations

---

**Audit Test Reference:**

19

**Audit Priority:****3**

---

**References**

Reporting Manual Reference: 29

Water Services Act 2012: Section 122(2)

- If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.

---

**Observations****Section 122(2)**

Any court action against the Corporation (including but not limited to actions taken in the State Administrative Tribunal (SAT) is included in the quarterly Compliance Breach Reporting to the Audit and Compliance Committee.

We confirmed through inquiry and inspection of the State Administrative Tribunal Register of Proceedings for applications during the period 18 November 2013 to 30 June 2015 that one application was made to the SAT regarding a Compliance Notice issued by the Water Corporation. We confirmed through inspection of communication between the Perth Regional Alliance and Legal Services that the Water Corporation had followed the “Guide to compliance powers for compliance officers under the Water Services Act 2012 (WA)” and not taken further action pending the outcome of the SAT application, as per Section 122(2).

---

**Documents Reviewed:**

- Guide to compliance powers for compliance officers under the Water Services Act 2012 (WA)
- Email correspondence to Senior Managers from Craig Masarei (Manager Legal Services) – reporting on compliance
- Water Net web page screenshot- access to guide to compliance powers
- Legal Services instructions process
- Email communication between Perth Regional Alliance (PRA) and Legal Services regarding the Application for review for the Compliance Notice
- State Administrative Tribunal Register of Proceedings for applications lodged in 2013
- State Administrative Tribunal Register of Proceedings for applications lodged in 2014
- State Administrative Tribunal Register of Proceedings for applications lodged in 2015
- Court order for Matter Number: DR 127 2015
- Application for review letter received by Perth Regional Alliance on the 16 April 2015

---

**Findings (Refer to Executive Summary)**

***None.***

---

<b>Audit Test Reference:</b> 20	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

Reporting Manual Reference: 30, 31, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 150, 152, 153

Water Services Act 2012: Section 125(2) and 128(4)

Water Services Regulations 2013: 65(1), 65(2), 65(4), 67, 68(5), 68(6), 68(7), 68(8), 69(3), 70(2), 74(1), 74(2), and 75(1)

Water Services Code of Conduct (Customer Service Standards) 2013: Clause 36(1), 36(2) and 37(1)

- 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.
- 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.
- The licensee must maintain records for all land in respect of which water service charges apply.
- The records for all land in respect of which water service charges apply must contain prescribed information.
- The licensee must make the records for all land in respect of which water service charges apply available for inspection by any person without charge, and give a copy of particular records to a person with a material interest in them, on payment of the prescribed charge.
- Except as otherwise provided under the Act, the records maintained by the licensee for a period in relation to land are the basis upon which the licensee must determine the water service charges applicable for the period.
- The licensee must consider an objection to the records maintained by a licensee under regulation 65 as soon as practicable.
- The licensee must give the person by whom the objection was made written notice of the licensee’s decision on the objection together with a brief statement of the licensee’s reasons for the decision.
- If the licensee disallows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person who objected of any consequent amendment of the records.
- If the licensee allows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person of the time within which and the manner in which a review of the decision may be sought.
- Upon receipt of a notice from a person dissatisfied with a decision of the licensee on an objection, the licensee must promptly refer the relevant records to the State Administrative Tribunal for a review.
- Upon receipt of a notice from a person dissatisfied with a decision of the licensee to refuse to extend the time for giving an objection to the licensee or a notice under regulation 69(2), the licensee must promptly refer the decision to the State Administrative Tribunal for a review.
- The licensee must make any amendment of the records necessary as a consequence of an allowance, wholly or in part, of an objection under the Act or the Valuation of Land Act 1978 or as a consequence of a review by the State Administrative Tribunal.
- The licensee must, if necessary as a consequence of the amendment to the records under regulation 74(1) re-determine and if necessary provide a rebate or refund.
- If a person is liable, under an agreement with the owner of land, for payment of the water service charges in respect of certain land, the person is entitled to receive from the licensee all information necessary for the person to assess his or her liability under the agreement.
- The licensee must provide a customer with the specified services on request and at no charge.
- The licensee must make available to each customer the customer’s personal account information.
- The licensee must make the prescribed information publicly available.

**Observations**

**Section 125(2)**

We confirmed that where there is more than one residence on a block of land, every separate self-contained residence is rated separately, and charged based on its individual Gross Rental Value (GRV) or separate meter. If no tenants are nominated to receive the accounts, and there is only one meter, the consolidated service account is sent to the owner, who apportions it as they see fit.

**Section 128(4)**

We noted that there are two kinds of memorial that the Corporation can lodge when service or water charges are owed on properties. These include; a memorial for deferred head works, or a memorial for service charges. The Lodge and Withdraw Memorials/Caveats on Properties work instruction provide guidance for Water Corporation staff for this process.

On the first working day of each month the Credit Officer reviews the '1592657 Memorials Deferred Howks' report, which is generated on all properties with existing Memorials where the Recovery Status has progressed to 'Fully Paid'. The Credit Officer then checks the financial history to confirm whether the original amount owing when the Memorial was lodged has been paid. The Officer will also check to confirm if the Memorial has been withdrawn. If the Memorial has been withdrawn according to the Notes in Grange the Officer will enter the date that the Memorial was withdrawn. If there are no notes regarding the withdrawal of the Memorial the Officer will obtain a copy of the current Certificate of Title from Landgate. If no Corporation Memorial exists on the current Certificate of Title, the Officer will enter the cancellation date as that days date.

In the case that the Title confirms that the Memorial still exists, the Officer prepares the Withdrawal of Memorial/Caveat cover sheet and

<b>Audit Test Reference:</b> 20	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

uses the details from the Certificate of Title to complete the Withdrawal of Memorial form (available on Landgate's website). The Officer will stamp the form appropriately, and arrange for the Senior Credit Officer to sign and forward to the Credit Coordinator or Team Leader for endorsement. The Corporation sends the completed and signed Withdrawal of Memorial form to the customer along with the 'Withdrawal of Memorial WC Initiated' letter. The Officer updates Grange with notes against that account, advising that the letter and withdrawal has been sent to the customer. The Credit Officer confirms with the Settlement Agent, when and where the settlement will take place, and advises the payout figure including any accrued penalty interest. The Officer then attends the settlement, with the appropriate paperwork allowing the withdrawal of the Memorial, after receiving the payment. If the account is fully paid and the Memorial is to be withdrawn where there is no settlement involved, the withdrawal fee is raised on the customer's account. The Senior Credit Officer is advised of the withdrawal, and then the papers regarding the withdrawal are filed.

The Corporation is currently in the process of requesting changes to the wording of section 128. The Corporation's Legal Team confirmed that the letter has been sent, and is awaiting action by the Department of Water (DoW). They specify that "the amendment should ensure that the section reflects the Corporation's practice of passing the lodgement of withdrawals to the customer or their agent to lodge with the necessary fees."

**Regulations 65(1), (2), (4) and 67**

We confirmed that the Corporation's Grange system stores all information and records for all land in respect of which water service charges apply. The records contain, a description and situation of the land; the name and address of the owner of the land; the account number (if applicable); if relevant to the determination of a charge in respect of the land — the GRV, the unimproved value or the area of the land; the classification (if any) of the land for the purpose of the application of any charge in respect of the land; any other information that the licensee requires for the determination of a charge in respect of the land; and the amount of any charge that is unpaid.

The records for all land in respect of which water service charges apply are made available to the customers via My Water on the Corporation's website. Access may also be requested through calling the Corporation's 13 13 85 number. Customers may request a meter reading and bill outside of their usual billing cycle, to determine their outstanding charges for that period. Issue of accounts or notification of accounts is to the owner of the property, or their nominated agent at the last notified postal or email address.

For residential properties, the wastewater and drainage service charge components of a bill are based on the rateable value (GRV) of the property, which is set by the Valuer General. This GRV can be seen in Grange against the property account. Water use charges are based on a meter reading or an estimate of the quantity of water used, which are also stored in Grange.

**Regulations 68(5), (6), (7), (8), 69(3), 70(2), and 74(1), (2)**

We confirmed that the Water Corporation considers objections as soon as practicable. Initially, customers are advised when they query their property classification what the classification is based on. The Corporation considers that the Grange records are correct initially, and subject to review, should a customer object to the classification. If at the conclusion of the review it is deemed that the customer's objection is to be disallowed, a written response is provided to the customer. The response outlines the reason for decision, and contains a statement supporting the reason for the decision. If the Corporation allows the objection, the customer will be advised through an advice of adjustment, of any consequent amendment of the records.

If a customer remains dissatisfied with the Corporation's decision and lodges a subsequent objection, Rating Services consults with the Policy and Compliance Management in Business Management. Following this consultation a written response is provided to the customer reiterating the Corporation's reason to disallow their objection. Any additional supporting information from the consultation is included in the response. At this time the Corporation also advises the customer of their rights and obligations in having their objection referred to the SAT.

Upon receipt of written notification from a customer wishing to proceed to the SAT, Rating Services immediately completes a SATeForm. The SATeForm, payment form and supporting documents are sent to Legal Services for lodgement. Legal Services provides written notification to SAT and the customer concerning the lodgement of their objection.

The SAT provides a response to Legal Services and the customer advising of a Notice of Directions Hearing. A Rating Services Officer attends the hearing and any mediation sessions, on behalf of the Corporation, along with a representative from Legal Services.

Following the hearing and/or mediation sessions, the SAT liaises with Legal Services and the customer concerning the Final Orders and Reasons for Decisions. If the SAT upholds the objection to classification, the Corporation will amend its records to reflect the classification from a time determined by the SAT, determine or re-determine any water service charge, and if required, provide a refund or rebate.

**Regulation 75(1), The Code clauses 36(1), (2) and 37**

We confirmed that the Corporation issues accounts every two months to properties where water, wastewater and/or drainage services are available. Some properties may be billed more frequently. Customers can request a meter reading and bill to determine outstanding charges for a period that is not the same as their usual billing cycle.

Rates and charges information is available on the Corporation's website. Bills may also be received and paid electronically via My Water.

The Corporation issues accounts or notifications of accounts to the owner of the property or their nominated agent at the last notified postal or email address. The property owner is liable for all service and water use charges. Any arrangement between an owner and tenant in relation to the payment of charges is a private matter between those parties.

Regarding provision of information to customers "Call Central" available via the Corporation's intranet provides Call Centre Officers with a Security Policy. This document specifies for the Call Centre Officers what information can be disclosed, and to whom.

The Corporation makes the information specified in clause 37 publicly available in their "What you can expect as a Water Corporation customer" document (on the Water Corporation website). This document includes (per clause 37); the fees and charges that will be imposed and collected; bill payment method options and the fees and charges associated with each bill payment method offered; the exemptions, discounts, rebates and concessions that are available; the power of a person authorised under section 129 to enter a place without consent, notice or warrant to read a meter connected to the licensee's water service works; the obligations of customers under the regulations to ensure that access to a meter is available; that the licensee may cut off, or reduce the rate of flow of, a supply of water if water service charges remain unpaid for 30 days after they become due; that this power may be exercised even if — the customer is offered a payment plan or other arrangement; or having entered such a plan or other arrangement, the customer does not comply with it; that the supply of

<b>Audit Test Reference:</b> 20	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

water cannot be cut off to an occupied dwelling unless the occupier agrees; the quality of water and its management; sustainable use of water; planned and unplanned interruptions of water supply or other incidents that may significantly affect the provision of water services to customers.

The Corporation provides free access to a Translating and Interpreting Service (TIS) for customers with English as a second language. Access is also provided for customers with a hearing or speech impairment, and information is provided in alternative formats on request. These options are all outlined at the bottom of every bill (near the payment options), and on the Corporation's website.

**Documents Reviewed:**

- What you can expect as a Water Corporation customer
- PRU – Grange example
- Memorials s128(4) – change requested to Legislation
- 1592657 – Memorials & Deferred Headworks – example of report
- Withdrawal of Memorial form initiated letter - example
- Email from Legal Team confirming letter to DoW has been sent – regarding changes to s128(4)
- Section 128(4) - Draft letter to DoW – proposing changes to wording
- Records in Grange screenshot
- PCY320 Maintain Property Records
- PCY319 Maintain Customer Records
- Classification and Rating Guide – property
- Property Classification – Objection to SAT
- Water Corporation objection process – example
- Water Corporation objection response letter – no further action taken by customer
- Call Central Security Policy
- Billing payment options
- Access and inclusion services
- ERA Annual Compliance Report 2013/14
- ERA Annual Compliance Report 2014/15
- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)

**Findings (Refer to Executive Summary)**

An internal review conducted by the Water Corporation identified cases where memorials were lodged for outstanding charges, however these had not been followed up and the memorial not lifted once the debt cleared.

The review also identified cases where deferred (headworks) contributions had been paid but the associated memorial still encumbered the title.

We confirmed that the Corporation's procedure document for withdrawal of memorials was updated in March 2015. It now clarifies that once the original amount owing when the memorial was lodged has been paid, the memorial is to be withdrawn.

<b>Audit Test Reference:</b> 21	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

Reporting Manual Reference: 65, 68

Water Services Regulations 2013: Regulation 23(2) and 26(5)

- If the licensee provides a water supply service in respect of a multi-unit development, the licensee, on the owner's request, is to assess whether a meter is satisfactory for measuring the quantity or flow of water through a pipe supplying water to the unit.
- If a meter test finds that the meter is outside the prescribed tolerance applicable, the licensee must take the specified actions, bear the costs of testing and refund or credit any charges paid under regulation 26(3).

**Observations**

**Regulation 23(2)**

There are two scenarios upon which the Corporation may be asked by a customer to assess a meter. They are as follows:

**1. Takeover of a sub meter**

A strata body or single owner requests that the Corporation 'takeover' their existing sub meters on a multi-unit development. They complete the 'Sub Meter Application' form. Building Services conducts a preliminary assessment of the application, before sending a SAP work order to Operations and/or Field Services to inspect the meter. Where the preliminary assessment is; favourable, the process moves on to a Sub Metering Agreement and billing, and not favourable, an inspection of the property is required. If the inspection is favourable, the process will move on to a Sub Metering Agreement being sent to the customer and billing. If the inspection is unfavourable, an email or letter detailing what needs to be fixed in order for the Water Corporation to take over the meter will be sent to the customer. The customer will choose to take the required action, leading to a Sub Metering Agreement and billing, or decide against the Corporation taking over their meter.

**2. New sub meter**

The sub-metering process is undertaken from the time the multi-unit development is submitted by the builder or developer for authorisation. There is no assessment process as the meters and the internal plumbing are placed in the optimum positions and installed as per Corporation requirements. The builder or developer provides an 'as constructed' of the internal plumbing and will 'call' for the meters for installation when they are required. The meters are supplied and installed by the Corporation, and a Sub Metering Agreement is sent to the customer for signing and billing to commence.

**Regulation 26(5)**

We confirmed that water use charges are based on a meter reading or an estimate of the quantity of water used.

For meter tests; customers must make written applications on the Corporation's "Application for Meter Test" form, and provide payment of the prescribed deposit/fee within 7 working days from the date of the Corporation's letter of offer. The Corporation conducts the meter test within 10 working days of receiving the prescribed fee and request, or at a mutually agreed day or time.

If upon testing, the meter registers a discrepancy of 5% or more (slow or fast), the meter is treated as out of order, the meter is replaced, the Corporation bears the cost of the meter test (including returning the deposit/fee to the customer or credits the customers account), the water use for the disputed period may be estimated on previous or current water use, or the new meter's water use, as appropriate, and if there is no previous reading at the property lower than the disputed water use, an estimate may be applied.

If upon testing, the meter registers a discrepancy of less than 5% (slow or fast), the reading stands, and the customer bears the cost of the test. If the meter is found to be registering fast (with a discrepancy less than 5%) and the customer continues to dispute the account, the Corporation may reduce the water use by the percentage the meter is found to be fast.

In all cases, customers receive written advice of the results of the meter test, an amended water use account (where an adjustment of the amount billed is deemed necessary), a refund or advice that the credit is to be held to offset future accounts (where any credit results from the deposit/fee and/or overpayment of the water use account), and written advice of any other action taken resulting from the meter test.

Where a customer continues to dispute a meter test result and/or adjustment, they receive advice of their right to lodge their complaint further with the Energy and Water Ombudsman.

**Documents Reviewed:**

- Sub Metering Application form
- Multi-Unit First Inspection Check List
- Sub Metering Agreement
- S384 Metering of Multi-Unit Properties
- S309 Testing of Water Meters
- Application for meter test details in Grange
- Failed meter test data sheet
- Application for meter test form
- Letter of offer
- Reversal of meter test fee – meter test failed
- Adjusted account for failed meter read

Observations

<b>Audit Test Reference:</b> 21	<b>Audit Priority:</b> 4	
------------------------------------	-----------------------------	--

**Findings (Refer to Executive Summary)**

*None.*

<b>Audit Test Reference:</b> 22	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

2014 Reporting Manual Reference: 94, 95, 96, 97, 98, 99, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123

Water Services Code of Conduct (Customer Services Standards) 2013: 9, 10(2), 10(3), 10(4), 10(5), 11, 13(1), 13(2), 14(1), 15, 16(2), 16(3), 16(4), 16(5), 17(1), 17(2), 18(1), 18(2), 18(3), 18(4), 18(5), 18(6), 20, 21(1), 21(2), 22, 23(1), 24

- The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.
- The licensee must issue a bill for usage to each customer at least once in every 6 month period.
- The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.
- 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.
- 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.
- 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.
- 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.
- The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to a subsequent and accurate meter reading.
- The licensee must provide to the customer on request a meter reading and a bill in in the prescribed circumstances.
- 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 normal for the customer but is likely to have been wasted because of a leak.
- 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.
- 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.
- The licensee must not 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 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.
- 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.
- 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.
- The licensee must review a bill on the customer's request.
- The license must have a written procedure for the review of a bill on the customer's request.
- The review procedure in clause 18(2) must include the specified information and be publicly available.
- 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.
- 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.
- The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.
- The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer
- 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.
- 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 the customer or an adult person nominated by the customer, to do so.
- The licensee must accept payment in advance from a customer on a customer's request.
- The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.

<b>Audit Test Reference:</b> 22	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**Observations**

**Clause 9, 10(2), 10(3), 10(4), 10(5)**

We confirmed that the Corporation’s water use and service charges are billed at two monthly intervals around the time the meter to the property is read, with charges due 16 days after issue. Water use charges are based on the actual meter reading, or where this is not available; an estimate of the water use at the property during the period in question. Where necessary, water use information will be obtained from an alternative service provider, when it is required for billing Volumetric Sewer Charges (i.e. Busselton and Bunbury). Residential and vacant land sewerage charges are based on Gross Rental Value. Non-residential sewerage service charges are based on a number of major factors with volumetric sewerage charges applying to assessed discharge to sewer.

Where estimation is required, the Corporation's standard "Estimating and Projecting Water Use" provides procedure to follow.

A projected read is a value calculated by Grange based on water use history. The projected read is the volume of water expected to be used at the time of the read and may be utilised to satisfy a cyclic read that has been obstructed to allow billing to proceed in a timely manner. A water use estimate is an estimate of the water used when a meter is found to be out of order or not registering, and is calculated using the same algorithm as a projected read.

The Corporation may project the current meter reading by reference to the daily average of the quantity of water supplied during a similar period, the last completed cycle or on such other basis.

All access obstructed cycle meter reads are projected immediately. Non-access obstructions have a work slip created, and are handled in the first instance by Meter Reading and Systems (MR&S), in order to initiate the work to remove the obstruction.

A maximum of three consecutive projections are recorded against a property before an actual reading by an employee, contractor or a self-read by the customer is obtained and recorded in Grange for billing. A check read (actual) taken following a projection will, after verification of the read, result in an investigation. If the check read is higher than the last projected read: the last projected read may be accepted as accurate and no adjustment made, or the last projected read may be considered too low so the reading is apportioned resulting in a debit adjustment. If the check read is lower than the last projected read: the last projected read is apportioned resulting in a credit adjustment.

After any projected read is recorded in Grange for billing purposes, and the customer subsequently advises a self-read, the self-read may be recorded in Grange as the actual read for that period and the account adjusted.

The Corporation may estimate the quantity of water by reference to the daily average of the quantity of water supplied during a similar period in the previous year (or last completed cycle) or other relevant period or on such other basis. Methods for calculating the estimate include;

- Period of current water use - where the meter is reported as no longer recording accurately, and the meter reading supplied is similar to the expected water use, the actual meter reading may be applied in preference to the estimate.
- Period of future water use - the estimate can be calculated using future period if there is no satisfactory water use history of recorded water use to base the estimate. In this case the reading is taken 3-4 weeks after the new meter is fitted.
- Previous period of water use - based on actual water use recorded during a similar period in the previous year or years where applicable.
- Customer documentation - an estimate supplied by the customer may be accepted when it can be established that the information supplied is a fair and reasonable basis for an estimate.

**Clause 11**

We noted that the Corporation issue accounts or notifications of accounts to the owner of the property or their nominated agent at the last notified postal or email address. Customers are also able to receive and pay their bills electronically via My Water. We confirmed that is bills are returned to the Corporation, there is a process to investigate and resend to the right address.

**Clause 13(1), 13(2), 14(1)**

We confirmed that if the Corporation estimate a customers’ water use, on the customer's request, a notification is provided of the reason for the estimate, and the basis of the estimate.

If a customer wishes to dispute the estimated water use, they may request a revised bill based on further information that the customer provides. If a customer receives an estimated account due to non-access to their meter, and they believe the estimate is not in line with normal use, they may provide an actual read. After three consecutive water use estimates at a property, the Corporation contacts the customer to obtain an actual read to align the water use charges with the actual meter registration.

The Corporation considers all customer enquiries on disputed estimate. The business utilises the Estimating Water Usage work instruction document as a guide for any disputed estimates. The customer supplies full details to support their claim for the estimate to be reassessed and where possible also supplies their own estimate and how they calculated it.

Customers can request a meter reading and bill to determine outstanding charges for a period that is not the same as the usual billing cycle.

**Clause 15**

We noted that the Corporation has a publicly available Leak Allowance Policy (on the Corporations website). This policy is also available via the “What you can expect as a Water Corporation customer” document (also available on the Corporations website). The Corporation offers a reduction in charges for customers who have undetectable leaks repaired by a licenced plumber or waterwise irrigation specialist. A reduction in charges for a leak is only considered after the customer has had their plumbing works completed to the required plumbing/industry standards and with all leaks repaired.

The Corporation endeavours to assess any application for a leak allowance within 15 business days based on the evidence provided by the licenced plumber or waterwise irrigation specialist.

**Clause 16(2), 16(3), 16(4), 16(5), 17(1), 17 (2)**

We confirmed that when a customer has been overcharged the Corporation notifies the customer within 15 business days of becoming



<b>Audit Test Reference:</b> 22	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

aware of the overcharging. The Corporation provides the customer with options on how to have the overcharged amount either credited to their account, or refunded, at their request. The customer is provided refunds of any overcharged amount within 15 business days of lodging their request.

If a customer has been undercharged, the Corporation only recovers the undercharged amount for a service provided in the 12 months prior to the date of which the customer is notified of the undercharging. The amount undercharged is listed in a special bill or as a separate item in the next bill, together with an explanation of the amount. No late payment fees or interest is billed on an undercharged amount, and the opportunity to pay the undercharged amount in instalments, interest free, over the same period of time during which the customer was undercharged, is offered.

**Clause 18(1), 18(2), 18(3), 18(4), 18(5), 18(6)**

We confirmed that the Corporation reviews a customer's bill on their request. After conducting a review of a bill, if the Corporation is satisfied that the bill is correct, they may request the payment of any unpaid amount. The Corporation will inform customers of the outcome of the review within 15 business days, as specified in their "What you can expect as a Water Corporation customer" policy document.

If the customer considers that the meter is not accurately measuring water passing through it, the Corporation conducts a meter registration test. The test is conducted within 10 business days of receiving the customers' request and payment of the meter test fee, or at an agreed day and time with the customer. The Corporation's review procedure is publicly available via their website, in the "what you can expect as a Water Corporation customer" guide.

Information is provided to customers concerning the process and operation of both the Corporation's internal and external complaints handling process, including the customers' right to refer any complaint to the Energy and Water Service Ombudsman.

The Corporation outlines that they work towards addressing customer complaints within 15 business days commencing from the date the complaint is received. The customer is contacted by phone or in writing (if requested) concerning the outcome of their complaint.

**Clause 20, 21(1), 21(2), 23(1)**

We confirmed that water use and service charges are due 16 days after a bill is issued, in line with clause 20, which specifies time set for payment must be after the end of the period of 14 days starting on the day the bill is issued.

We confirmed that outlined on customer's bills and in the "what you can expect" guide are the methods of payment that the Corporation accept. These include; direct debit, online payment, BPAY, BPAY View, My Water (online customer self-service), in person at any Post Office, by phone, Centrepay, and mail.

The Corporation has no limit on the amount a customer can pay against their account, provided they are paying via one of the payment methods accepted by the Corporation (outlined above).

If any method of payment has applicable fees and charges they are outlined on the bill, alongside the particular method.

**Clause 22**

We noted that the Corporation's customers can request to make direct debit payment for their water and service charges online via My Water, or through completion of the Direct Debit Request application form, which can be sent via email or mail. Alternatively, the customer can call the Water Corporation to make the request. The Direct Debit Request Service Agreement are the terms and conditions which the customer signs to agree to when completing the application online, or in hard copy.

The Call Central procedure for taking direct debit applications outlines that express consent must be obtained of the holder of the account to be debited; and of the customer or an adult nominated by the customer, to do so.

In these ways the Corporation ensures that in all cases, consent is obtained from the holder of the account to be debited and the customer (or adult nominated by the customer), orally via phone request, or in writing via the online My Water application or the hard copy application form.

**Clause 24**

We confirmed that Corporation accepts customers' requests to redirect their bills to another person via "change my details" online in My Water, email notification, phone or mail free of charge.

The "what you can expect as a Water Corporation customer" guide specifies that accounts or notifications of accounts are issued to the owner of the property or their nominated agent at the last notified postal or email address.

For internal use, on Call Central (for Customer Service telephone operators), there is a document outlining what details concerning customer records may be changed over the phone, and under what circumstances.

**Documents Reviewed:**

- PCY321 Bill Customers
- What you can expect as a Water Corporation customer
- S308 Estimating and Projecting Water Use
- Estimated water use bill
- S314 Water Use Allowances – unexpected water use
- Leak Allowance Application form
- What you can expect as a Water Corporation customer – available on Water Corporation website – screenshot
- S307 Retrospective Adjustment of Service Charges
- S319 Retrospective Adjustment of Water Use Charges
- Original overcharged account – Peet Alkimos

## Observations

<b>Audit Test Reference:</b>	<b>Audit Priority:</b>	
22	4	
<ul style="list-style-type: none"><li>- Advice of Adjustment for overcharged account – Peet Alkimos</li><li>- Second account – nil due (due to advice of adjustment) – Peet Alkimos</li><li>- Letter template – customer may have amount refunded or credited</li><li>- Billing payment options</li><li>- S325 Customer Payments</li><li>- Direct Debit request form</li><li>- Direct Debit Service Agreement</li><li>- Set up direct debit – Water Corporation website</li><li>- Direct Debit set-up Call Central procedure</li><li>- Call Central document- changing customer details</li><li>- Change my details – Water Corporation website</li><li>- S308 Estimating Water Usage</li><li>- ERA Annual Compliance Report 2013/14</li><li>- ERA Annual Compliance Report 2014/15</li><li>- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)</li></ul>		

### **Findings (Refer to Executive Summary)**

Clause 18(2) of the *Water Services Code of Conduct (Customer Service Standards)* 2013 document states that “a licensee must have a written procedure for the review of a bill on the customer’s request.” The Corporation’s internal quality assurance processes identified the review of a customer’s bill information was not on the Corporation’s website.

We confirmed that the Corporation’s website was updated on the 13<sup>th</sup> of August 2014 to include information on the review of bills process.

## Observations

---

**Audit Test Reference:**

23

**Audit Priority:**

2

---

### References

Reporting Manual Reference: 124

Water Services Code of Conduct (Customer Service Standards) 2013: Clause 25(2)

- 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.
- 

### Observations

#### Clause 25(2)

We confirmed that the Corporation allows customers assessed as experiencing financial difficulties to pay a bill under a payment plan or other arrangement. The payment plan or other arrangement provides the customer with more time to pay the bill, or to pay in arrears.

Through the inspection of 25 samples of customers assessed as experiencing payment difficulties, we confirmed that during the period of 18 November 2013 to 30 June 2015, customers that were assessed as experiencing payment difficulties were provided the assistance specified in clause 25(2) of the Code. This assistance was in the form of a payment plan or another arrangement, under which the customer was given more time to pay their bill or to pay in arrears.

---

#### Documents Reviewed:

- PCY304 Financial Hardship Policy
  - S391 Payment Difficulties and Debt Recovery Authorisations
  - Payment arrangement in Grange
  - PCY321 Bill Customers
  - What you can expect as a Water Corporation customer
  - Establishing Payment Arrangements
- 

#### Findings (Refer to Executive Summary)

**None.**

---

<b>Audit Test Reference:</b> 24	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

**References**

Reporting Manual Reference: 125, 126, 127, 128, 129, 183  
 Water Services Code of Conduct (Customer Service Standards) 2013: Clause 26  
 Water Services Act Section 12: Clause 30.3

- The licensee must have a written policy in relation to financial hardship that is approved by the Authority.
- 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 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.
- The licensee’s financial hardship policy must be publicly available.
- 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.
- The licensee must comply with the Authority’s Financial Hardship Policy Guidelines as they apply to the licensee.

**Observations**

**Clause 26(1), 26(2), 26(3), 26(4), 26(5), 26(6)**

We confirmed that the Corporation has a written policy in relation to financial hardship. The current version of the Corporation’s FHP was approved by the ERAWA on the 20 May 2015.

We confirmed that the ERAWA approved the Corporation’s FHP on the 16 May 2014, within 6 months after section 27 came into effect. As subclause (3) applies to the Corporation, subclause (4) does not.

We noted that the Corporation’s FHP is available on their website, as well as the ERAWA website. Customers may also find the FHP via the "what you can expect as a Water Corporation customer" guide, which is also available on the Corporation website.

We confirmed that the Corporation policies are reviewed at least every 3 years. In line with this, the publicly available FHP specifies that it is reviewed biennially, to ensure that it meets the needs of customers experiencing financial hardship. As part of the review process, the checklist provided by the ERAWA in their FHP Guidelines for Water Service, ensures that the Corporation consults with relevant consumer organisations. The FHP details that reviews incorporate the views and recommendations of the Corporation’s stakeholders.

We confirmed that internal policies and procedures involving payment difficulties and financial hardship are consistent with the FHP. In most cases when the FHP needs to be referred to, the Corporation’s internal policies and procedures provide a link to the FHP itself, rather than duplicate its content.

We noted that there was a time during the audit period where the version of the FHP that was publicly available [subclause 26(5)] was not the same as the version of the FHP that had been approved by the Authority. The FHP that the Corporation published on its website on the 29 May 2014 was a "customer friendly" version, which was not the version that the ERA approved. The FHP that was approved by the ERA for the Water Corporation on the 16 May 2014 was also an "owners only" version, as it was yet to include a section regarding tenants ability to enter into payment plans or other arrangements with the Corporation without having to consult with the owner of the property themselves. We noted that the information provided to Corporation customers in the version published on the website was consistent with that in the approved FHP. All information that was re-worded for improved clarity for customers in the published version regarding payment plans, reducing and restoring water flow, additional information, customers commitment and complaints handling did not exclude any details that were in the approved FHP. The areas of the approved FHP that were excluded from the published version did not contain information that was not already included, or of interest to customers regarding payment difficulties, financial hardship or payment plans available.

On the 3 September 2014 the ERA notified the Water Corporation that the version of the FHP on their website was not the approved version. On receiving this notice, the Corporation took down the "customer friendly" version of the FHP, and published the approved version.

The FHP currently published on the Water Corporation’s website was approved by the ERA on the 20 May 2015. This version is both the Water Corporation’s customer friendly version, and approved by the ERA.

**Clause 30(3)**

Through inspection of 25 samples of customers who were assessed as being in financial hardship, or very close to, we confirmed that over the period of 18 November 2013 to 30 June 2015, customers were treated in line with the approved Corporation FHP.

**Documents Reviewed:**

- Financial Hardship Policy (FHP)
- ERAWA Approval of Financial Hardship Policy – 20 May 2015
- ERAWA Decision to approve the Water Corporation’s amended financial hardship policy
- ERAWA Decision not to approve Water Corporation’s amended hardship policy – 27 January 2015
- Letter to Water Corporation – Decision not to approve Water Corporation’s amended FHP
- FHP Guidelines for Water Services – December 2013
- FHP – available on the Water Corporation website

## Observations

<b>Audit Test Reference:</b>	<b>Audit Priority:</b>	
24	2	
<ul style="list-style-type: none"><li>- What you can expect as a Water Corporation customer</li><li>- Notice – Decision on water financial hardship policies</li><li>- CorDocs Document Types and Review Periods</li><li>- S391 Payment Difficulties and Debt Recovery Authorisations</li><li>- Debt Management Procedure</li><li>- S326 Recovery of Overdue Debt</li><li>- Establishing Payment Arrangements</li><li>- PCY318 Collect Revenue</li><li>- Call Central Call Quality requirements</li><li>- List of all Water Corporation documents referencing the FHP</li><li>- Email confirming list of documents referencing FHP</li><li>- Recovery of Property Debt Restrictions</li><li>- Recovery of Property Debt Legal Action</li><li>- PCY304 Financial Hardship Policy</li><li>- FHP published May 2014</li><li>- Memorandum – key differences between ERA approved and customer friendly FHP</li><li>- Email notice from the ERA outlining customer friendly version of the FHP is non-compliant</li><li>- Request to IT to take down customer friendly version and publish full policy approved by ERA</li><li>- Status log of FHP published on Water Corporation's website</li><li>- Letter from ERA – approval of owners only FHP</li><li>- PCY285 Publishing Policy</li><li>- Digital Publishing Procedure</li><li>- ERA Annual Compliance Report 2013/14</li><li>- ERA Annual Compliance Report 2014/15</li><li>- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)</li></ul>		

### **Findings (Refer to Executive Summary)**

The Financial Hardship Policy published on the Water Corporation's website should be the one which is approved by the ERA. On the 3 September 2014 the ERA notified the Water Corporation that the version of the FHP on their website was not the approved version. On receiving this notice, the Corporation proceeded to take down the "customer friendly" version of the FHP, and publish the approved version.

We noted that the information provided to the Corporation's customer in the version published on the website was consistent with that in the approved FHP. All information that was re-worded for improved clarity for customers in the published version regarding payment plans, reducing and restoring water flow, additional information, customers commitment and complaints handling did not exclude any details that were in the approved FHP. The areas of the approved FHP that were excluded from the published version did not contain information that was not already included, or of interest to customers regarding payment difficulties, financial hardship or payment plans available.

The subject matter approver of the customer friendly FHP that was published in May 2014 should have known that the published FHP is required to be the one approved by the ERA, and not sent it through to the online editor for publishing to the website.

Reinforcement of the Corporation's Digital Publishing Procedure which details the appropriate sign-off process for publishing of documents should be performed.

Training to remind relevant employees of the requirements of this procedure and/or appointing designated Water Corporation subject matter approvers may prevent such non-compliance from occurring in the future.

## Observations

---

**Audit Test Reference:**

25

**Audit Priority:**

2

---

**References**

Reporting Manual Reference: 130, 131

Water Services Code of Conduct (Customer Service Standards) 2013: Clause 27

- 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.
- 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.

---

**Observations****Clause 27**

We confirmed through that the Corporation allows customers experiencing financial hardship to pay bills under an interest-free or fee-free payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears.

Consistent with the Code, the Corporation notes in its FHP, that if a customer is in financial hardship, they consider reducing the amount owed by the customer. The Corporation also provides information regarding redirection of bills, payment options, concessions, financial relief, and financial counsellors.

Additionally, procedures are available on Call Central (Water Corporation intranet) for contact centre representatives, guiding staff on how to counsel and provide information to customers in relation to HUGS, financial counsellors, and Water Assist. The principles for assessing financial hardship are also documented in Water Corporation policy PCY304, and this is available to staff responsible for such assessment.

Through inspection of a sample of 25 customers who received Water Assist payments throughout the period 18 November 2013 to 30 June 2015, we confirmed that the Corporation assessed these customers appropriately as experiencing financial hardship. The customers were appropriately assessed as experiencing financial hardship, as this was evidenced via the number of arrangements they had entered prior to being accepted into Water Assist and the debt outstanding at the Water Assist commencement date.

---

**Documents Reviewed:**

- PCY304 Financial Hardship Policy
- Financial Hardship Policy
- S391 Payment Difficulties and Debt Recovery Authorisations
- Establishing Payment Arrangements
- S310 Interest Charges on Overdue Amounts
- Call Central – HUGS procedure for contact centre
- Call Central – referring customers to financial counsellors procedure for contact centre
- Call Central – Water Assist procedure for contact centre

---

**Findings (Refer to Executive Summary)**

**None.**

---

## Observations

<b>Audit Test Reference:</b> 26	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

### References

Reporting Manual Reference: 132, 133

Water Services Code of Conduct (Customer Service Standards) 2013: Clause 28(1), 28(4) and 28(5)

- 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
- The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.

### Observations

#### **Clause 28(1), 28(4) & 28(5)**

We confirmed that before the Corporation 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, they ensure that the owner is aware, and approves of, the proposed plan or arrangement.

The publicly available Financial Hardship Policy (FHP) states that tenants experiencing payment difficulties can contact the Corporation directly to discuss their situation. The Corporation negotiates a proposed payment plan with the tenant, and notifies the land owner of the proposed plan on the tenant's behalf. The owners' consent is required for the plan to proceed.

On request, as a service to land owners, the Corporation issues water use bills to either their nominated real estate agent or tenant. By authorising a tenant to receive water use bills, the owner also authorises the Corporation to discuss matters in relation to water use bills directly with them.

Additionally, the publicly available "what you can expect as a Water Corporation customer" guide outlines that the owner is liable for all service and water use charges. Any arrangement made between an owner and tenant in relation to the payment of charges is a private matter between those parties. Accounts or notifications of accounts are issued to the owner of the property or their nominated agent.

HUGS and Water Assist are two of the arrangements available to provide financial assistance for Corporation customers. Alternatively, Corporation customers experiencing payment difficulties or financial hardship can choose from various alternative payment arrangements in accordance with their circumstances and capacity to pay. The interest and fee exempt nature of payment arrangements is also outlined. Customers who are experiencing payment difficulties or financial hardship may also be referred to a free counselling service to receive independent advice.

Through inspection of a sample of 25 customers who received assistance in the form of a payment plan throughout the period 18 November 2013 to 30 June 2015, we confirmed that in all but one instance it was the owner who entered the payment plan arrangement with the Corporation. In the case where it was not the owner who contacted the Corporation to enter a payment plan, it was a financial counsellor, who had met with the respective owner to discuss their financial situation and their options.

### Documents Reviewed:

- What you can expect as a Water Corporation customer
- PCY304 Financial Hardship Policy
- Financial Hardship Policy (FHP) – published on the Water Corporation's website
- S391 Payment Difficulties and Debt Recovery Authorisations
- FHP – available on the Water Corporation website – screenshot
- What you can expect as a Water Corporation customer – available on the Water Corporation website – screenshot
- Establishing Payment Arrangements
- Call Central – Payment Arrangement procedure
- Call Central – Payment Arrangement tenants procedure

### Findings (Refer to Executive Summary)

**None.**

## Observations

---

**Audit Test Reference:**

27

**Audit Priority:**

2

---

**References**

Reporting Manual Reference: 134

Water Services Code of Conduct (Customer Service Standards) 2013: Clause 29

- 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 difficulties or who is being assessed for financial hardship.

---

**Observations****Clause 29**

We confirmed that the Corporation does not commence or continue proceedings to recover a debt from customers in particular circumstances. These include where a customer is complying with a payment plan or other arrangement, is being assessed as to whether or not they are experiencing payment difficulties, or is being assessed under the Corporation's Financial Hardship Policy, as experiencing financial hardship.

Under special circumstances, approval may be sought from the Team Leader Credit Management to restrict customers in hardship that refuse to engage with the Corporation, for example, the customer is not complying with a payment arrangement, or refuses to negotiate.

When Senior Credit Management Officers review the "Recovery Action List" they exclude properties where; the customer has been identified as "Financial Hardship". Additionally, Grange automatically excludes customers in a payment plan or other arrangement when issuing debt recovery notices.

The Corporation does not commence or continue proceedings to recover a customers' debt while they are assessing whether or not the customer is in financial hardship, or if the customer is complying with their payment plan or other payment arrangement. If the payment plan or other payment arrangement is not complied with, the Corporation may commence debt recovery proceedings.

Through inspection of a sample of 25 customers who the Corporation commenced or continued to take debt recovery action against over the period 18 November 2013 to 30 June 2015, we confirmed that the Corporation did not proceed to recover debt from a customer who was in a payment plan/other arrangement, being assessed as experiencing payment difficulties, or being assessed as being in financial hardship.

---

**Documents Reviewed:**

- S391 Payment Difficulties and Debt Recovery Authorisations
- S326 Recovery of Overdue Debt
- Progression of Debt Recovery Notices
- PCY318 Collect Revenue
- PCY304 Financial Hardship Policy
- Establishing Payment Arrangements
- Credit Management – Secured Recovery Cycle
- Debt recovery customers
- Recovery of Debt Restrictions

---

**Findings (Refer to Executive Summary)**

**None.**

---



<b>Audit Test Reference:</b> 28	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

Reporting Manual Reference: 135, 136, 137 & 138

Water Services Code of Conduct Clause: 30(1), 30(2), 31 & 32

- If the licensee has reduced the rate of flow of drinking water to land under section 95(1)(b) of the Act, the licensee must restore the supply of water if the amount owing is paid, or if the customer enters into a payment arrangement for the amount owing that is satisfactory to the licensee
- If the licensee has, under section 95(1) (a), (c), (d) or (e) of the Act, cut off or reduced the flow of drinking water, the licensee must restore the supply of water if the licensee is satisfied that the reason for the disconnection or reduction no longer applies.
- The licensee must not, under section 95(1) (b) of the Act, reduce the rate of flow of drinking water to a customer without having first used its best endeavours to inform the customer in person of its intention to do so if the amount owing is not paid.
- The licensee must not reduce the rate of flow of drinking water under the Act if the specified circumstances apply.

**Observations**

**Water Services Code of Conduct Clause 30(1)**

Through inquiry and observation of the Establishing Payment Arrangement Work Instruction, it was noted that the Water Corporation must restore water services to the customer if the amount owing has been paid off or a payment arrangement has been agreed with the customer. Depending on the location of where the water restoration has occurred, a target timeframe has been set by the Corporation that has to be abided by. For metropolitan restorations, a target of 2 business days was noted and for regional restorations, a target of 3 business days was noted.

**Water Services Code of Conduct Clause 30(2)**

It was confirmed through inquiry that the Water Corporation must restore the supply of water if the corporation is satisfied the reason for the disconnection or reduction no longer applies. The restoring a water service work instruction applies to Credit Management, Call Centre and Field Services and covers the procedure involved in restoring a Water Service to a property that has previously been restricted.

**Water Services Code of Conduct Clause 31**

Through inspection of the Recovery of Property Debt Restrictions Work Instruction document, it was noted the Water Corporation must make every effort to get in contact with the customer, whether it be in person, via telephone or e-mail before it restricts water services to the property. Prior to any restriction action taking place a Field Services Officer (metropolitan properties) will visit the property and deliver a card advising of the pending action. For country properties the card is left at the front door advising the customer to contact the Corporation within 2 days.

**Water Services Code of Conduct Clause 32**

Through inspection of the Payment Difficulties and Debt Restrictions work instruction document and the Water Corporation Financial Hardship Policy it was noted the specific conditions under which the Water Corporation can't restrict water services as per 95(1)(b) of the Water Services Act.

**Documents Reviewed:**

- Establishing Payment Arrangement Work Instruction PM# 296646
- Restoring a Water Service Work Instruction PM#412237
- Recovery of Property Debt Restrictions Work Instruction PM#412235
- Payment Difficulties and Debt Recovery Authorisations Work Instruction PM#2098664
- Water Corporation Financial Hardship Policy

**Findings (Refer to Executive Summary)**

*None.*

<b>Audit Test Reference:</b> 29	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

**References**

2012 Reporting Manual References: 9,10,12,14,15,17 & 18  
 2014 Reporting Manual References:145, 146, 147, 148 & 149  
 2012 Operating Licence Clause: 6.1, Schedule 3 Clause 3.1, 3.2 (b), 3.2 (d), 3.4, 3.6 and 3.7  
 Water Services Code of Conduct 2013 Clause: 5.3

- The licensee must establish a customer complaints process as set out in Schedule 3
- The licensee must resolve customer complaints within 15 business days of the receipt of complaint
- The licensee must provide appropriately trained staff to respond to complaints
- The licensee must provide an appropriate system to monitor and record the number, nature and outcomes to complaints
- The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water
- The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint
- The licensee must, on request, provide complaints details to the Department of Water
- 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.
- The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any).
- 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.
- 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.
- The licensee's complaints procedure must be publicly available.

**Observations**

**2012**

**Clause 6.1**

Through inquiry, observation and inspection of the Customer Complaints Resolution Procedure, we noted the Corporation has established a customer complaints process utilising the Customer Relationship Management system, Grange. This process enforces the recording of complaint details and automatically assigns the complaint a unique identification number for tracking. A Customer Complaints Resolution Procedure has been established which outlines the protocols which are followed by the Corporation to ensure all complaints are resolved within 15 days of being notified of the complaint. Additionally, where a complaint is not expected to be dealt with within the 15 day period, protocols are in place such that a Right of Referral is issued to the customer to notify them of their option to refer the dispute to the Department of Water.

**Schedule 3 Clause 3.1**

Observation and inspection of the Customer Complaints Resolution Procedure noted the requirement that complaints must be resolved within 15 business days and recorded at the time of receipt. For complaints that are aged 10 business days, the Process & Compliance Coordinator will Email to the Pending Work Queue (PWQ) to prompt them to follow-up and resolve the aged complaint. Sometimes this requires the creation of a work order

**Schedule 3 Clause 3.2 (b)**

Through inquiry, we noted that all Customer Service Representatives (CSRs) undergo formal training as part of their induction in the handling of complaints. In addition to this there is also an annual refresher delivered to all CSRs. Training forms part of core competencies for all CSRs enabling them to be assessed on a monthly basis through the Call Quality Development (CQD) practice whereby Team Leaders 'listen-in' on at least 10 recorded contacts per CSR to ensure that they are following the Customer Complaints Resolution Procedure.

**Schedule 3 Clause 3.2 (d)**

Through inquiry and observation of the Grange system, we noted that Grange requires a minimum level of information around the nature of a complaint before it can be saved. Drop down menus are also used to categorise the nature and outcome of a complaint so that reporting from Grange allows the Corporation to record and monitor the number, nature of and outcome of the complaint

**Schedule 3 Clause 3.4**

Where a complaint has exceeded 10 business days, a Customer Service Representative will mail the complainant a Right of Referral advising them of their option to refer their complaint to the Department of Water should they choose to do so. The Process & Compliance Coordinator monitors the overall process and it is the responsibility of the Customer Service Team Leaders to ensure that complaints are dealt with as per the Corporation's procedures. Once a Right of Referral has been communicated, it is at the customer's discretion as to whether they wish to contact the Department of Water for further resolution. If a query is of an informal nature, the DoW may contact a Water Corporation Technical Specialist or the Customer Centre Priority 1 Coordinator by phone or email. However, if it is formal the DoW will send a written letter to the Operating Licence Compliance Coordinator, Regulation and Compliance Branch as part of the DoW's Water Industries Services Branch 'WISB Customer Complaints Procedure' (WISB). All written complaints from the DoW, regarding customers,

<b>Audit Test Reference:</b> 29	<b>Audit Priority:</b> 2
------------------------------------	-----------------------------

are recorded as new customer complaints in Grange and assigned to the Pending Work Queue of the responsible Branch.

**Schedule 3 Clause 3.6**

When a complaint is referred to the Department of Water (DoW) they may have informal direct liaisons with a known Technical Specialist within the Corporation via e-mail or phone for minor queries/discussions. However, if it is a formal complaint it must be in the form of a letter from the DoW, and be coursed through the Operating Licence Compliance Coordinator, Regulation and Compliance Branch. All written complaints from the DoW, regarding customers, are recorded as new customer complaints in Grange and assigned to the Pending Work Queue of the responsible Branch.

**Schedule 3 Clause 3.7**

We noted through observation that there had been one request of information pertaining to a Customer Complaint referred to the DoW. It was confirmed that these details are provided through email sent back and forth between the DoW and the complaints team at the Corporation. Through the Grange system, we observed that the Corporation has reporting capabilities to extract the detail of complaints made, names and addresses of customers who have made complaints and the manner in which the complaint was resolved.

**2014**

**Water Services Code of Conduct Clauses 35(1), 35(2), 35(3), 35(4), 35(5), 35(6)**

Through inquiry, observation and inspection of the Customer Complaints Resolution Procedure, we noted that the Corporation has established a customer complaints process utilising the Customer Relationship Management system, Grange. This process enforces the recording of complaint details and automatically assigns the complaint a unique identification number for tracking. A Customer Complaints Resolution Procedure has been established which outlines the protocols which are followed by the Corporation to ensure all complaints are resolved within 15 days of being notified of the complaint. Additionally, where a complaint is not expected to be dealt with within the 15 day period, protocols are in place such that a Right of Referral is issued to the customer to notify them of their option to refer the dispute to the Ombudsman.

Through inspection of the Customer Complaints Resolution Procedure, it was noted that the procedure has been developed as per the minimum requirements of ISO 10002. Through inspection of the Customer Complaints Resolution Procedure, as well as the Processing External Customer Contact Work Instruction document, it was noted that that the procedure documents cover matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints. We performed sample testing of complaints as well as complaint calls over the audit period and confirmed that they complied with the Licence.

Through inspection of the 'what you can expect as a Water Corporation' customer document, it was noted that the document informs the customer they do not have to use the licensee's complaints procedure, provides details of procedures under the Act, and sets out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act. We confirmed this document has been made publically available on the corporation's external website.

**Documents Reviewed:**

- Customer Complaints PCY225 PM#353413
- Processing External Customer Contacts S115 PM#353406
- What you can expect as a water corporation document. Publically available at << [<< http://www.watercorporation.com.au/about-us/our-commitments/our-promise-to-you?pid=res-au-oc-np-opy>>](http://www.watercorporation.com.au/about-us/our-commitments/our-promise-to-you?pid=res-au-oc-np-opy)>>.
- ERA Annual Compliance Report 2013/14
- ERA Annual Compliance Report 2014/15
- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)

**Findings (Refer to Executive Summary)**

The Corporation's internal quality assurance processes identified complaints procedure information was not on the Corporation's website. We confirmed that the Corporation's website was updated on the 13th of August 2014 to include information on how to lodge a complaint and the complaints resolution process.

<b>Audit Test Reference:</b> 30	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

- 2012 Reporting Manual Reference: 31
- 2014 Reporting Manual Reference: 180
- 2012 Operating Licence Clause: Schedule 3 – Clause 5.4
- 2014 Operating License Clause: 24.4

- The licensee must publish a report annually that includes the specified information
- If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the Customer Services Code, the licensee must publish an annual report containing the information specified.

**Observations**

**2012**

***Schedule 3 – Clause 5.4***

We confirmed through inquiry and inspection, that a report was produced to publish the specified information on Service by Agreement contracts on an annual basis on the Corporation’s public website.

Through inspection of the Corporation’s website and Services Provided by Agreement Annual Statistics Report, we confirmed that the report is available for viewing and download, and it has been structured to address each of the 4 conditions of Schedule 3 Clause 5.4.

**2014**

***Clause 24.4***

We confirmed through inquiry that the licensee enters into agreements that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code, these are also known as Service by Agreement Contracts. As per Clause 24.4 of the license, an annual report includes the information required by this clause.

Through inspection of the Water Corporations public website that a report is produced on an annual basis which has been structured to meet the requirements of Clause 24.4 and is available for viewing by the public.

**Documents Reviewed:**

- Services Provided by Agreement Annual Report 2011/12
- Services Provided by Agreement Annual Report 2012/13
- Services Provided by Agreement Annual Report 2013/14
- Services Provided by Agreement Annual Report 2014/15
- ERA Annual Compliance Report 2013/14
- Annual Notification to ERA of Issues Concerning Operating License Requirements (Compliance Register)

**Findings (Refer to Executive Summary)**

The Corporation’s internal quality assurance checks identified that the Services Provided by Agreement numbers being reported on the Corporations website were incorrect.

The sets of numbers reported were a count of agreement conditions and it was identified that one set of numbers should be the total quantity of agreements.

We confirmed that the Services Provided by Agreement report published on the Corporation’s website, was updated in November 2014 to include the total quantity of agreements.

## Observations

<b>Audit Test Reference:</b> 31	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

### References

Reporting Manual Reference 2014: 15, 173

2014 Operating License Clause: 21.1

- Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.
- The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.

### Observations

#### **Clause 21.1**

From 1 January 2014, the Energy and Water Ombudsman was formed to handle both energy and water complaints. Prior to this, a Water Services Ombudsman Scheme had not been introduced therefore this clause was not applicable to the Water Corporation.

Through inquiry and inspection of payment vouchers, we confirmed the Water Corporation has been a member of and bound by the water services ombudsman scheme since it came into effect on 1 January 2014, in accordance with the License version 11, 12 and 13.

Clause 21.1 also requires that the Water Corporation be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme. Inspection of the 2013-14 Energy and Water Ombudsman report and inquiry with the Priority One Communications Team Leader, indicated there have been no binding determinations by the Energy and Water Ombudsman for the period 18 November 2013 and 30 June 2015.

#### **Documents Reviewed:**

- Charter of Energy and Water Ombudsman
- Financial Payment Voucher #435
- Water Corporation Member Report – June 2014
- EWO Annual Report 2013-14

#### **Findings (Refer to Executive Summary)**

**None.**

<b>Audit Test Reference:</b> 32	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

Reporting Manual References: 25, 66, 70, 71, 72, 89, 90 & 91

Water Services Act: Section 106 (2)

Water Services Regulations 2013:

- The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.
- If the licensee gives a compliance notice to a person in respect of access to meters, the notice must specify the specified information.
- The written order requiring the owner or occupier of land to install a backflow prevention device must set out the date which the device must be installed and tested (which must be at least 7 days after the order is given).
- The compliance notice requiring the owner or occupier of land to have their backflow prevention device tested or maintained in accordance with the standard by a specified date (which must be at least 7 days after the notice is given).
- The compliance notice requiring the owner or occupier of land to have their backflow prevention device made good as specified in the notice must include the work that is required to be done, the manner in which the work is to be done and the date by which the work is to be done (which must be at least 7 days after the notice is given).
- 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.
- If the licensee appoints an employee as an authorised or approved officer for the purposes of the Criminal Procedure Act 2004 Part 2, the licensee must issue the officer a certificate, badge or identity card identifying the officer as a person authorised to issue infringement notices.
- The licensee must maintain a list of persons appointed to be authorised officers or approved officers for the purposes of the Criminal Procedure Act 2004 Part 2, and must, on request, give a copy of the list to the CEO or to the chief executive officer of the Public Services principally assisting in the administration of the Criminal Procedure Act 2004.

**Observations**

**Water Services Act Section 106(2)**

A compliance notice can be issued in regards to the issue of a breach of the terms and conditions set out as per s102 or s105 of the Water Services Act. These notices are referred to as FOGMan Non-Compliance Notices, within these notices it states how the relevant organisation has failed to comply with either s102 or s105 of the Water Services Act, the work required to comply with the aforementioned obligations and the timeframe in which the work has to be performed by.

**Water Service Regulations 2013 – Regulation 24(4),**

A compliance notice can be issued in regards to the access of meters at a property. The compliance notice outlines the following information; that the property has failed to comply with Regulation 24 of the Water Service Regulations 2013, the work required to be performed in regards to making good the defect and the due date, which has been identified as being at least 7 days after the compliance notice has been issued.

**Water Service Regulations 2013 – Regulation 42(2),**

As per regulation 42(2) of the Water Service Regulations 2013, a written order may be given to a property owner in regards to the installation of a backflow prevention device. It was confirmed through inquiry that there have been no written orders issued during the audit period, it was noted that this was due to the complexity and severity of issuing an order, as well as the legal costs associated with the process. It was confirmed through inquiry and inspection that a template for a written order does exist and does set out the date by which the backflow prevention device must be installed and tested (which must be at least 7 days after the day on which the order is given to the owner or occupier).

**Water Service Regulations 2013 – Regulation 43(3) and 43(6),**

A Compliance Notice may be issued to the owner of a property in regards to a breach of Regulation 43 of the Water Services Regulation 2013, this is in regards to backflow prevention devices. The Backflow Prevention Non Compliance Notice outlines that the device must be tested or maintained in accordance with the standard, that being AS2845.3:2010, and the date by which the testing or maintenance is required to be done. The Water Corporation’s internal Work Instruction ‘How to issue a backflow prevention notice’ states that the date by which the work is to be done must be at least 7 days after the day on which the Notice is given to the owner or occupier

The notice also states the work that is required to be done to ensure that the device is made good as specified in the notice as well as the manner in which the work is to be done; and that a copy of the test report is to be lodged with the Water Corporation within 5 working days of the device being tested as per AS2845.3:2010.

**Water Service Regulations 2013 – Regulation 85,**

It was noted through observation and inspection of the aforementioned compliance notices, that notices issued by the licensee 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.

**Water Service Regulations 2013 – Regulation 86 (6),**

It was noted through inquiry and inspection that when an individual at the Water Corporation is nominated as an authorised or approved

## Observations

---

<b>Audit Test Reference:</b>	<b>Audit Priority:</b>
------------------------------	------------------------

32

4

---

officer for the purposes of the Criminal Procedure Act 2004 Part 2 in regards to issuing infringement notices, they are issued an identity card as well as a certificate.

***Water Service Regulations 2013 – Regulation 86 (9),***

It was confirmed through inquiry that the Chief Executive Officer has never asked for a listing of authorised and approved officers in regards to the purposes of the Criminal Procedure Act 2004 Part 2, however it was noted that a listing is maintained.

---

**Documents Reviewed:**

- Trade Waste Non-Compliance Notice #80958
- FOGMan Non Compliance Notice Work Instruction PM#9115629
- Non-Compliance of Access to Meter Notice #2014-0001
- Backflow Prevention Device Order
- Issuing a Non-compliance Backflow Prevention Order Work Instruction PM#11571233
- Backflow Prevention Device Non-Compliance Notice
- How to issue a non-compliance Backflow Prevention Notice Work Instruction PM#11573636
- Issuing Compliance Notices Work Instruction PM#12721413
- Certificate of Authority
- Authorised and Approved Officer Listing

---

**Findings (Refer to Executive Summary)**

***None.***

---

## Observations

<b>Audit Test Reference:</b> 33	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

### References

Reporting Manual Reference: 67

Water Services Regulations: 26(3) – Clause 5.1

- If the owner or occupier requests the licensee to test the meter and pays the charge (if any) for testing that type of meter, the licensee must test the meter in accordance with a procedure approved by the CEO for the purposes of this regulation.

### Observations

#### **Regulation 26(3) – Clause 5.1**

We confirmed through inquiry that an owner or occupier of a dwelling may request a meter test by the licensee in regards to a dispute of a bill. The procedure for testing the meter is outlined in the testing water meter work instruction document. In addition to this, Water Corporation staff at the Meter Testing Laboratory has to adhere to the Meter Testing Laboratory procedure as well as the NATA General Compliance procedure document.

We confirmed through inquiry that all procedural documents used in regards to meter testing have been approved by the Manager of Asset Monitoring and System Investigation as opposed to the Chief Executive Officer. Section Manager approval of procedural documents has been noted as acceptable, as is documented in the CorDocs Document Control Procedure under section 5.2 'other document types'. We also noted that responsibility has been appropriately delegated through the Corporation's Accountability Framework.

#### **Documents Reviewed:**

- Testing Water Meters on Test Rig CW549 #MTL-WI-01
- Customer Centre: Meter Testing Laboratory: Testing and Reporting Procedure #MTL-P-03
- Customer Centre: Meter Testing Laboratory: Addressing NATA General Requirements Procedure #MTL-P-02
- Meter Test Report No#MET-LAB-2015/407
- CorDocs Document Control Procedure #365799

#### **Findings (Refer to Executive Summary)**

**None.**



<b>Audit Test Reference:</b> 34	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

Reporting Manual Reference: 139, 140, 141, 143

Water Services Code of Conduct 2013 Clause: 33, 34(2), 34(3), 34(5)

- The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.
- The Water Corporation must restore a water supply to land in the metropolitan region within the specified timeframe, unless the licensee and customer expressly agree otherwise.
- The Water Corporation must restore a water supply to land outside the metropolitan region within the specified timeframe, unless the licensee and customer expressly agree otherwise.
- The Water Corporation must ensure that there is a 90% compliance rate with clauses 34(2) and 34(3) in any 12 month period ending on 30 June.

**Observations**

**Clause 33**

The minimum flow level of water provided to a customer is 2.3L per minute. To achieve this level of restriction, a restricted flow device is installed at the property; this flow device restricts the flow of water to 2.3L/minute. Maric, who are the manufacturer of all flow control valves that the Corporation uses, provide assurance using the engineering specifications of the flow restriction devices being used in regards to the compliance of this obligation. We confirmed that lab testing of flow restrictors is performed; inspection of a flow restrictor test performed in June 2015 indicates that the Corporation is still compliant with this clause.

**Clauses 34(2), 34(3) and 34(5)**

Restoration of water supply to a customer whether they be from a metropolitan or regional area is triggered by the payment of overdue monies on an account or the establishment of a payment arrangement. Procedures are in place to ensure the Water Corporation restores water supply to land in the metropolitan region and land outside the metropolitan region.

The Water Corporation targets attainment of clause 34(5) as an overarching goal, that being that 90% compliance rate in regards to clauses 34(2) and 34(3) in any 12 month period ending on 30 June. We inspected data extracted from Monthly Board Performance Reports and Grange in regards to rolling twelve month compliance percentages and noted that the 90% compliance rate was achieved in any 12 month period ending on the 30<sup>th</sup> of June.

**Documents Reviewed:**

- SAP Materials Catalogue Report Screenshot: MMR#19139 & MMR#20369
- Maric Flow Control Valve Catalogue Page 37
- Rolling 12 month flow restoration data extracted from Grange.
- June 2015 Flow Restrictor Test – PM#12944522

**Findings (Refer to Executive Summary)**

**None.**

<b>Audit Test Reference:</b> 35	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

**References**

Reporting Manual Reference: 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 74

Water Services Act 2012: Section 139(3), 142, 143(2), 143(3), 144(3), 145(2), 147(3), 147(4), 151(2), 152(3), 153(3)

Water Services Regulations 2013: Regulation 60(2)

- 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.
- 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.
- Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.
- 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.
- The licensee must have regard to an objection or submission lodged within the relevant period.
- 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.
- 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).
- 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.
- 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.
- The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.
- The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).
- 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.
- If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.

**Observations**

**Section 139(3)**

We confirmed that the Corporation’s Prerequisite to Works Manual provides the procedure to ensure that before altering any gate or fence, all reasonable steps are taken to notify the owner and occupier of the land. To aid this process, a template cover letter is also provided in the Manual. Additionally, the Community Engagement Team assists in providing the most appropriate and timely communication possible.

**Section 142**

We confirmed inspection that the activities required during the ‘Activation’ phase of a Water Corporation project are clearly outlined in ‘Water Net’s’ ABC Procedures. The activation activities completed include; creating a Project Risk Management Plan and Project Risk Assessment in the Corporate Risk Information System (CRIS). The risk assessment findings are used in the preparation of a Project Management Plan and External Approvals Plan.

We confirmed through inquiry and inspection that prior to commencing Major Works the Project Manager on behalf of the Water Corporation ensures that: relevant notices have been published and objections or submissions dealt with, the Minister has authorised the Major Works; and relevant objectors have been notified.

**Section 143(2), Section 143(3)**

We confirmed that before submitting a Major Works proposal to the Minister, the Project Manager performs all required actions. These include: preparing plans of the area, and an introductory cover letter with details of the works. These documents make up the Notice of Proposal.

A web page is prepared by the Project Manager. The plans and all information detailed in the Notice of Proposal are published on the Water Corporation website, and amended if the proposal is amended.

Within 5 days of the Notice of Proposal being published on the Water Corporation website the Project Manager gives a Notice and cover letter to: the owner and occupier of any land that will be entered for or likely to be adversely affected by purposes of works. In many cases Government agencies, Main Roads, railway authorities, port authorities, power, gas or telecommunications utilities may be considered owners or occupiers and will thus receive Notice of Proposal. To assist in communicating the Notice of Proposal templates for each circumstance that may arise are available to the Project Manager.

In addition, any local government in the district of the works or that has a material interest in the proposal or the services to be provided by the works and/or the Western Australian Planning Commission if the area to be affected by proposed works is in an area covered by a region planning scheme, is provided a Notice and cover letter.

The Community Engagement Team assists in the delivery of appropriate and timely communications. A Community Engagement Officer is

<b>Audit Test Reference:</b> 35	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

assigned to every project for this purpose.

**Section 144(3)**

We confirmed that objections or submissions must be lodged with the Corporation within 35 days after the plans and details of the proposed Major Works are published on the Water Corporation website; or if direction is given by the Minister, within 30 days after the day the direction has been complied with.

The Corporation considers an objection or submission lodged within the relevant period. In some cases changes may need to be made to the proposed works.

**Section 145(2)**

We confirmed that the Project Manager gives written notice to anyone likely to be adversely affected by alterations to the Notice of Proposal.

The Community Engagement Team assists in the delivery of appropriate and timely communications. A Community Engagement Officer is assigned to every project for this purpose.

**Section 147(3), Section 147(4)**

We confirmed that the Corporation complies with direction given by the Minister. If the Minister issues a direction, the Project Manager amends and resubmits the proposal.

To ensure all obligations with regards to Major Works are met, a Flow Chart of Water Corporation Major Works procedure is completed throughout every Major Works project and kept on file.

**Section 151(1), Section 151(2)**

We confirmed that before submitting a General Works proposal to the Minister, the Project Manager performs all required actions. These include: preparing plans of the area and an introductory cover letter with details of the works. These documents make up the Notice of Proposal.

Depending on the circumstances and the general works, the Project Manager will prepare a web page and publish the Notice of Proposal in the Water Supply and Services (ongoing projects and works) section of the Water Corporation website.

The Project Manager provides a Notice and cover letter to: the owner and occupier of any land that will be entered for or likely to be adversely affected by purposes of works. In many cases Government agencies, Main Roads, railway authorities, port authorities, power, gas or telecommunications utilities may be considered owners or occupiers and will thus receive Notice of Proposal. Where required, communication or engagement with internal and external stakeholders is conducted. In these circumstances, the External Approvals Section, Community Engagement team and relevant senior managers may also be consulted with.

**Section 152(3)**

We confirmed that objections or submissions with respect to General Works must be lodged with the Corporation by the date specified, which must be less than 21 days after the day the Notice is given, unless all persons given a Notice agree otherwise. The Corporation considers any objection or submission lodged by that date.

**Section 153(3)**

We confirmed that in the case the Notice of Proposal is altered, the Project Manager provides written notice to any person likely to be adversely affected by the alterations.

To ensure all obligations with regards to General Works are met, a Flow Chart of Water Corporation Works procedure is completed throughout every General Works project and kept on file.

**Regulation 60(2)**

We confirmed through inquiry and inspection that where it is necessary to alter the position of service infrastructure, including pipes, wires or other fittings that are laid on, in, over or under a street and are owned or managed by another organisation, the Corporation notifies the responsible organisation and may request them to alter the infrastructure within the time specified in the notice.

**Documents Reviewed:**

- Project Management Category ABC Procedures
- External Approvals Tracking spreadsheet
- Project Closeout Report – example
- Prerequisites to Works Manual
- General Works procedure
- Intention to alter a fence – template cover letter
- Notice of Proposal plans – procedure manual example
- Notice of Proposal template cover letters for affected parties
- Major Works procedure flow chart – template
- Water Corporation website screenshot – ongoing works and projects webpage
- General Works procedure flow chart – template
- Intention to access roads cover letter – procedure manual template

## Observations

<b>Audit Test Reference:</b>	<b>Audit Priority:</b>	
35	4	
<ul style="list-style-type: none"><li>- Project Checklist – All Phases</li><li>- Communications guidance note – community engagement team</li><li>- Communication, and consultation via emails regarding updates to, and compliance of the Water Corporation with the Water Services Act 2012</li><li>- General Works Project – example<ul style="list-style-type: none"><li>- Authorisation checklist</li><li>- Notice of Proposal plans</li><li>- Letter to stakeholders and agencies</li><li>- Letter to affected owners occupiers</li><li>- Letter to the Shire</li><li>- Notice of Entry to Property</li><li>- Memorandum signed by Manager for authorisation</li></ul></li><li>- Major Works Project – example<ul style="list-style-type: none"><li>- Project external approvals checklist</li><li>- Authorisation by Minister – unsigned copy</li><li>- Notice of Proposal plans</li><li>- Letter to Shire of Cunderdin</li><li>- Letter to stakeholders and agencies</li><li>- Letters to owners occupiers</li><li>- Request for Ministerial authorisation</li><li>- Memorandum – request for Ministerial authorisation</li></ul></li><li>- Regulation 60(2) – notification and supporting documentation example</li><li>- Prerequisites to works quick reference guide</li></ul>		

### **Findings (Refer to Executive Summary)**

***None.***

## Observations

<b>Audit Test Reference:</b> 36	<b>Audit Priority:</b> 4
------------------------------------	-----------------------------

### References

Reporting Manual 2014 Reference: 46,47 & 48

Water Services Act Section: 166(5), 166(6) & 170

- 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.
- Any costs incurred in taking an interest in land are to be paid by the licensee.
- 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.

### Observations

#### **Sections 166(5), 166(6) & 170**

We confirmed with the Manager of Property Acquisitions that it is the Ministers responsibility to advise whether interest in a land is appropriate. A request must initially be made to the Minister to advise whether the acquisition of a property is appropriate or not, once approved, WaterCorp will undertake a process known as a 'Taking Order'. This process is only utilised when in the first instance, an agreement could not be found between the licensee and the property owner. We confirmed that there had been no land acquisitions under Section 166 during the audit period

When taking an interest in a particular property, it is the responsibility of the Water Corporation to pay all incurred costs, it was noted however that any legal representation costs incurred by the owner of the property are not paid for by WaterCorp. A letter of offer (known as a terms of agreement letter) is sent to the owner outlining all the costs that the WaterCorp will pay for in regards to the acquisition of a property.

The Water Corporation has a responsibility to ensure that public purpose zoned land doesn't not get sold to private buyers. Public purpose zoned land should only be sold to government agencies. To ensure zoned property does not get sold to a private buyer, two checklists are filled out, one of them has to be completed prior to the property being sold. In this checklist, a box has to be ticked that shows the zoning information of that property has been researched and an aerial view of the land has been printed out. The second checklist refers to due diligence, referencing that the appropriate diligence has been performed in regards to the property in question. A box has to be ticked showing that the zoning information is appropriate, it was noted that the land cannot be sold unless it has been 'appropriately zoned'. It was confirmed with the Acting Property Portfolio Manager that there has been no ministerial involvement over the audit period in regards to this matter. We confirmed that there had been no disposals of public purpose zoned land during the audit period.

#### **Documents Reviewed:**

- Property Acquisitions Flowchart Private Treaty – Freehold Land PM#12269217-v1
- Terms of Agreement Letter – PM#8383458-v1
- Start Up Procedure – Corporate Real Estate
- Due Diligence Checklist – Procurement & Property Branch

#### **Findings (Refer to Executive Summary)**

**None.**

