

Operational Audit and Asset Management System Review

Gascoyne Water Cooperative

3605-03

Prepared for
Economic Regulation Authority of Western
Australia

July 2015



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Executive Summary

General

The Gascoyne Water Cooperative holds a water services operating licence (WL38) which permits it to provide non-potable water supply services and irrigation services and undertake, maintain and operate any water service works within the operating area set out in Plan Number OWR-OA-177(C). The operating licence was granted by the Economic Regulation Authority (ERA) on 23 June 2003 and last amended on 18 November 2013.

The Gascoyne Water Cooperative is an Irrigation Water Service Provider located in Carnarvon, Western Australia. The business has been operated by the local growers since it was transferred from Government ownership in 2001. The ownership of the Distribution Assets was transferred in 2004.

The Cooperative supplies local growers with irrigation water and also distributes stock and garden water to lifestyle blocks in the community. Water is extracted from bore fields upstream (east) of the plantations. Water Corporation runs the bore field on the south of the river, while the co-op runs the one on the north.

The Gascoyne Water Irrigation Area covers an area of over 2,000 hectares and a network of 44.5km of pipeline with a total of 282 customer service points fitted with an agency approved measurement device.

There have been no significant changes to the assets since the last audit. The Authority has issued a new licence (WL38, Version 3) consistent with the *Water Services Act 2012*.

Audit and Review Objectives

Cardno was commissioned by the ERA to undertake an operational audit and asset management system review of the Gascoyne Water Cooperative in accordance with the requirements set out in Sections 24 and 25 of the Water Services Act 2012 (WA) and also included in Clauses 14 and 20 of its operating licence.

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

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

This report outlines the findings of the audit and review of the Gascoyne Water Cooperative to fulfil the above objectives, conducted on 8 and 9 June 2015. The operational audit covers the period of 1 May 2013 to 30 April 2015. The asset management system review also covers the period 1 May 2013 to 30 April 2015.

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

Operational Audit

Findings from the Previous Operational Audit

The previous audit identified that the Cooperative had complied with all of its Water Services Operating Licence performance and quality standards and licence obligations during the audit period 1 May 2011 to 30 April 2013. A number of improvement opportunities were identified and the resulting recommendations included in the Post-Audit Implementation Plan.

The recommendations from the previous operational audit were as follows:

1. 1.1/2013 - Review and update the Customer Complaints Procedure Manual in order to align it with the customer complaints handling requirements of the licence.

Resolved during audit period

2. 1.2/2013 (a) - Where a final response to the complainant cannot be provided within 15 business days of the complaint being received, the officer handling the complaint should respond within 15 business days by written communication to the complainant.

Resolved during audit period
3. 1.2/2013 (b) - Ensure that if a dispute has not been resolved within 15 business days, the customer is informed of the option of referring their complaint to the Department of Water.

Resolved during audit period
4. 1.2/2013 (c) - Review the figures in the "Days taken to close complaint" column of the Complaints Register to ensure correct entries.

Resolved during audit period
5. 1.3/2013 - Update the Complaints Register in order to enable monitoring and recording of outcomes to complaints i.e. add another column.

Resolved during audit period
6. 1.4/2013 - Ensure the newsletters are accessible through GWC's website.

Resolved during audit period

Findings from the Current Operational Audit

We did not identify any issues during the current operational audit and observed that the licensee complied with each of the operating licence obligations that applies to it.

Under Section 3 of the *Water Services Act 2012*, a customer, of a licensee, means 'a person to whom water services are provided by the licensee or who is entitled to the provision of water services by the licensee, other than a person who is a member of the licensee.

We confirmed at the audit that the licensee does not have any direct non-member customers. Therefore, the obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013* do not apply to the licensee.

Water is provided by the licensee through its assets to a number of non-irrigator customers who take water for stock and garden use only and who typically have less than 6 hectare lots. However, these customers have a contract with Coral Coast Water Pty Ltd and are not in contract with the licensee. The licensee does not supply water to anyone who is not a member of the cooperative. Coral Coast Water is a member customer of licensee, although it is also a subsidiary company of licensee, and supplies water to its own customers who are not members.

Summary Opinion of the Control Environment

With respect to the operation of the licenced services during the audit period, the Auditor conducted tests and assessed the control environment, the procedures, policies and performance of the Gascoyne Water Cooperative and found that it had a good control environment to ensure that the majority of licence obligations are met and that it generally operates in accordance with the operating licence. For the non-compliances observed, we found that the controls were adequate. We did not observe any instances where we considered the controls in place to be inadequate.

Operational Audit - Overall Compliance

The overall compliance of the Gascoyne Water Cooperative with its licence is summarised in Section 4.2 of this report. We confirmed during the audit that the licensee was compliant with all licence obligations that were audited. All of the 165 obligations that the licensee was audited against were assessed as compliant, not applicable or not able to be rated.

Asset Management System Review

Findings of the Previous Asset Management System Review

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

The previous asset management system review identified the following recommendations:

1. Update the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers to reflect life cycle costing (already recorded as an action item in GWC's AMS Improvements and Action Plan).
Unresolved during audit period
2. All contingency plans need to be regularly tested, such as by an annual desktop review of the plan by the key participants, and discussion of potential scenarios. Evidence of the test and any action to be taken needs to be maintained.
Unresolved during audit period
3. As part of the Financial Plan, develop projected Statements of Financial Position for at least the next 5 years in order to provide a better analysis of past performance and to assist future planning.
Unresolved during audit period
4. Update the GWAMCO's Capital Expenditure Plan for asset renewal incorporating life cycle costing (already recorded as an action item in GWC's AMS Improvements and Action Plan).
Unresolved during audit period
5. Update the AMS Review section of the Asset Management Plan for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.
Unresolved during audit period

Findings of the Current Asset Management System Review

GWC has not completed any of asset management recommendations that were identified in the previous audit and included in the 2013 Post-Review Implementation Plan. The General Manager who was in the role at the time of the 2013 asset management system review was responsible for GWC setting up its asset management systems that are currently in place. Prior to this, GWC did not have a well-established asset management system. However, this General Manager left the organisation in October 2013, shortly after the last asset management system review. GWC has not resolved any of the asset management recommendations as the General Managers since the time of this last review have been in the position long enough to implement any of the recommendations.

Therefore, the main finding of the asset management system review is that almost all of the key documents and forecasts have not been updated since the time of the previous review in 2013. As a result, the main outcome from the review is that GWC needs to review and update all of the major elements of its asset management system and implement a schedule to ensure that an annual update of financial forecasts and asset registers is completed.

Based on our asset management system review observations and findings, we consider that the adequacy and performance of the licensee's system meets a level appropriate for the licensee, given the size, asset base and risks associated with the services that it is licenced to provide but that the entire system needs to be reviewed and updated as this has not been done for almost three years. The gradings that we have

assigned to the licensee's asset management system components have looked to reflect this over-arching issue.

As a result of these findings, each of the overall asset processes included in the review of Gascoyne Water Cooperative's asset management system has been rated as C2.

With regard to the adequacy of the asset management processes and procedures, and in particular the overall asset management system and the Asset Management Plan, this rating reflects that the processes and policies are significantly out of date and significant improvement is required for these key management tools to be able to be used reliably to assist with management of the assets.

With regard to the asset management performance, this rating reflects that process effectiveness reviews are not performed regularly enough.

Process improvement opportunities have been included in the review, Table 5.1. The following recommendations and process improvement opportunities were identified during the current review:

Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
R1/2015	B3 Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data	The replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers is based on an actual purchase price and needs to be replaced to reflect life cycle costing.	Update the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers to reflect life cycle costing (already recorded as an action item in GWC's AMS Improvements and Action Plan). <i>This is a recommendation from the previous review that was not actioned.</i>
R2/2015	B3 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	There is currently no process in place to formally test all of the contingency plans on a regular basis.	All contingency plans need to be regularly tested, such as by an annual desktop review of the plan by the key participants, and discussion of potential scenarios. Evidence of the test and any action to be taken needs to be maintained. <i>This is a recommendation from the previous review that was not actioned.</i>
R3/2015	B2 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The Gascoyne Water Cashflow Forecast 2011/12 – 2021/22 includes Operating Statements (P&L) until 2021/22. However, there are no projected Statements of Financial Position.	As part of the Financial Plan, develop projected Statements of Financial Position for at least the next 5 years in order to provide a better analysis of past performance and to assist future planning. <i>This is a recommendation from the previous review that was not actioned.</i>
R4/2015	B3 There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The Capital Expenditure Plan needs to be updated for asset renewal incorporating life cycle costing. This is already recorded as an action item in GWC's AMS Improvements and Action Plan.	Update the GWAMCO's Capital Expenditure Plan for asset renewal incorporating life cycle costing (already recorded as an action item in GWC's AMS Improvements and Action Plan). <i>This is a recommendation from the previous review that was not actioned.</i>
R5/2015	B3 A review process is in place to ensure that the asset	The review process could be improved by updating the AMS Review section of the AMS for the requirement to	Update the AMS Review section of the Asset Management Plan for the requirement to notify the Authority of any (significant)

Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
	<i>management plan and the asset management system described therein are kept current.</i>	notify the Authority of any (significant) changes to the asset management system within 10 business days.	changes to the asset management system within 10 business days. <i>This is a recommendation from the previous review that was not actioned.</i>
R6/2015	C2 <i>Asset Creation - Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.</i>	We observed that the Asset Creation and Acquisition Policy does not reference the interface between GWAMCO and GWC or the working arrangement between the two different cooperatives. The Asset Creation and Acquisition Procedure does not explicitly reference GWAMCO although it is implicitly referenced (e.g. 'Presented to and approved by the appropriate Board').	We recommend that GWC sets out the arrangements between GWC and GWAMCO in the appropriate policy and procedural documents in the AMS where GWAMCO involvement is required for particular activities.
R7/2015	C2 <i>Environmental Analysis – Opportunities and threats in the system environment are assessed</i>	GWC has an Environmental Analysis Policy and a separate Environmental Analysis Procedure in Section 5 of its AMS. The Policy states that its objective is 'Outcome compliance as per table 16 page 38 of ERA Audit Guidelines, Electricity, Gas and Water Licences for environmental analysis'.	We recommend that the Environmental Analysis Policy is updated to reflect the changes to the ERA's audit guidelines.
R8/2015	C2 <i>Environmental Analysis - Opportunities and threats in the system environment are assessed</i>	GWC has identified statutory and regulatory requirements in its Section 2.3 of the AMP. However, this makes reference to the Water Services Licensing Act 1995, which has been superseded by the Water Services Act 2012.	We recommend that the Asset Management Plan be updated to reflect the new legislative framework.
R9/2015	C2 <i>Asset Operations - Operational policies and procedures are documented and linked to service levels required.</i>	The AMP provides very little information related to operating the scheme and optimising the assets	Although the AMS includes a separate section related to Operations Management (Section 6), we recommend that additional sub-sections be added to the AMP to provide an overview and file paths to the associated documents related to operating the assets to provide the optimal outcomes.
R10/2015	C2 <i>Risk Management - Risks are documented in a risk register and treatment plans are actioned and monitored.</i>	GWC's risk register derives an overall risk score and the controls to manage each identified risk. However, the register does not create an initial risk score and a residual risk score which identified whether the controls that have been established are adequate to manage the risk or identify whether the mitigated risk is at an acceptable level.	We recommend that GWC revises its risk register to take account of these matters.

Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
R11/2015	C2 <i>Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i>	GWC's contingency plan only includes contingency related to assets and does not include any business continuity / commercial issues, for example what happens if GWC cannot reach an agreement with Water Corporation for the southern borefield supply.	We recommend that when GWC updates its AMS, it takes into account contingency actions for non-asset risks.
R12/2015	C2 <i>Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i>	We also note that the contingency plan only includes actions related to collector main failures from the northern borefield.	We recommend that GWC also addresses the actions that may need to take place should a bore go out of production in its contingency plan.
R13/2015	C2 <i>Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i>	Although flooding of the Carnarvon Horticultural Area is included in the contingency plan procedures, no other 'disaster' type event is covered, e.g. bush fire affecting the northern borefield.	We recommend that GWC develops further contingency procedures related to issues such as bushfire/access to the northern borefields.
R14/2015	C2 <i>Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i>	GWC's Contingency Planning Procedures include details of key contacts, suppliers and external businesses/organisations who may be able to provide assistance in an emergency.	We recommend that the Contingency Planning Procedures are updated to include this information.
R15/2015	C2 <i>Capital Expenditure Planning - There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.</i>	The expansion of the borefield and development of 400 ha within the existing irrigation district is proposed but has not yet been included or allowed for in any of GWC/GWAMCO's capital expenditure planning work.	We recommend that when the capital expenditure planning information is updated that it includes estimates of the Stage 2 development of the northern borefield, works that may be required to supply the proposed areas of development (e.g. new spur lines) and the assets included in the likely takeover of the southern borefield.
R16/2015	C2 <i>Review of Asset Management System - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</i>	GWC has an AMS Improvement and Action Plan but it has not been updated since June 2013. The Plan has due dates for the actions but does not record if the actions have been completed or the dates that they were completed.	We recommend that GWC adds columns to its AMS Improvement and Action Plan to be able to record this information.
R17/2015	C2 <i>Review of Asset Management System</i>	The majority of GWC's AMS and supporting documentation, including	We have made a number of recommendations throughout the overall Asset Management System Review related

Reference (no./year)	Asset Management System Component	Issue	Auditor's recommendation
	- A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	financial forecasts, has not been updated since it was first developed in 2012.	to updating the contents of the Asset Management System as much of the information is either out of date (e.g. references to previous legislation) or needs to be revised to provide forecasts out into the future. The review and updating of the entire AMS is considered to be the over-arching recommendation from this asset management system review.
R18/2015	C2 <i>Review of Asset Management System - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</i>	GWC has not completed any of the asset management system recommendations from the previous review. This has been due to the issues GWC has experienced with its General Managers. There have been four General Managers since the previous review and no one has been in the position long enough to make much impact on the asset management documentation and long-term expenditure forecasts.	We have included the recommendations from the previous asset management system review at the top of this table. We recommend that GWC implements a schedule to ensure that an annual update of financial forecasts and asset registers is completed and that other documentation within the AMS is reviewed in accordance with the review date included in the respective document control sections.

Assessment of the Effectiveness of the Asset Management System

Based on the outcomes of the audit, the Auditors found that while a robust series of asset management processes and measures have been implemented and are being followed, there has been no review to assess the effectiveness or update of the system since the last asset management review.

It is the Auditor's opinion that although in practice much of the asset management system is generally operating satisfactorily, this is largely due to the young age of the assets (the new pipeline and the ancillary assets only being in Year 3 of their asset lives). The effectiveness of the system will become more critical as the assets age and begin to need more maintenance and renewal.

As noted, the main outcome of the asset management system review is for GWC to undertake a review and update of its entire asset management system. A number of opportunities for improvement have been identified for the licensee's asset management processes and these have been presented in the previous table.

Asset Management System Review - Overall Effectiveness

A summary of our assessment of the effectiveness of the Gascoyne Water Cooperative's Asset Management System is provided in Section 4.3. All elements were rated "C" or better for policy and procedures to. All elements were graded "2" or better for performance. As noted above, all overall asset management processes have been assigned C2 ratings to reflect the lack of reviews and updates of the asset management system and its associated and supporting documentation since 2012.

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1 Introduction

1.1 Background

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

The Gascoyne Water Cooperative (GWC) holds a water services operating licence (WL38) which permits it to provide non-potable water supply services and irrigation services and undertake, maintain and operate any water service works within the operating area set out in Plan Number OWR-OA-177(C). The operating licence was granted by the Economic Regulation Authority (ERA) on 23 June 2003 and last amended on 18 November 2013.

There have been no significant changes to the assets since the last audit. The Authority has issued a new licence (WL38, Version 3) consistent with the Water Services Act 2012.

1.2 Overview of Gascoyne Irrigation Area and Gascoyne Water Cooperative

The Gascoyne Water Cooperative is an Irrigation Water Service Provider located in Carnarvon, Western Australia. The business has been operated by the local growers since it was transferred from Government ownership in 2001. The ownership of the Distribution Assets was transferred in 2004.

The Cooperative supplies local growers with irrigation water and also distributes stock and garden water to lifestyle blocks in the community. GWC does not have any direct non-member customers. The non-irrigation customers who take water for stock and garden use only, and who typically have less than 6 ha lots, have a contract with Coral Coast Water Pty Ltd for the provision of their non-potable water. Coral Coast Water is a member customer of GWC although it is also a subsidiary company of GWC.

The Gascoyne Water Irrigation Area covers an area of over 2,000 hectares and a network of 44.5km of pipeline with a total of 282 customer service points fitted with an agency approved measurement device. Water is extracted from bore fields upstream (east) of the plantations. Water Corporation runs the bore field on the south of the river, while the co-op runs the one on the north. The northern borefield is located outside of the GWC operating area included in Plan OWR-OA-177/C in its operating licence.

Similar to the other irrigation areas in Western Australia, the Gascoyne irrigation area also has a second cooperative, Gascoyne Water Asset Mutual Cooperative (GWAMCO), which is a separate business entity to the GWC, and which has previously been the asset owner of the majority of the assets within the irrigation area. However, GWC has retained the ownership of the HDPE pipeline and ancillary assets that was constructed in 2012, with GWAMCO retaining the ownership of the northern borefield assets and the decommissioned asbestos cement pipeline that has been left in-situ.

GWAMCO charges growers a fixed fee to fund a renewals sinking fund for the new pipeline and its ancillary assets. GWC have a contract with GWAMCO to operate and maintain the northern borefield assets. Although the GWC operates and maintains these assets under contract on behalf of the GWAMCO, the asset-related policies and associated asset management activities have an input from the GWAMCO. GWAMCO does not have any staff and has an agreement with GWC to provide administration services where these are required.

GWC is not able to meet 100% of the water demand from its customers from the water supplied from the GWAMCO-owned, GWC-operated northern borefield and is also supplied with water provided from the southern borefield, which is owned and operated by Water Corporation. The Brickhouse Pump Station is the boundary between GWC and Water Corporation's assets. Water Corporation use an offtake from the

borefield delivery pipeline to divert the water to its treatment plant, with raw water being delivered to the GWC irrigation pipeline at downstream of the Brickhouse Pump Station.

Water Corporation provide raw water to GWC under a water supply agreement. The agreement between GWC and Water Corporation utilises a 'Take it or leave it' approach and GWC still has to pay for the water even if it does not take it. As a result, the optimum operating mode is for GWC to take all of the Water Corporation allocation and minimise the water it sources from the GWAMCO-owned northern borefield.

The current agreement has expired and been extended in the short-term while a new contract is agreed. However, there have been issues with regard to the negotiations between the two parties as a result of the new prices that Water Corporation is looking to charge and so this matter has been referred to the Minister for resolution.

One possible solution to the issues between GWC and Water Corporation that has been assessed is GWC taking over the southern borefield from Water Corporation. A business case has been prepared that assesses this option. If this transfer of assets from Water Corporation eventuates, it is expected that GWAMCO would become the asset custodian.

GWC has experienced management issues in recent years and since the time of the last audit there have been four different General Manager, as well as a period when there was General Manager in place.

Although the Chairman of the GWC Board is currently acting as General Manager, the position is currently not being advertised. The Board has taken the decision to wait until the size of the business can be confirmed, based on the transfer of the southern borefield to GWAMCO and the completion of the Stage 2 development of the northern borefield. In addition, the GWC and GWAMCO Boards are looking to establish some stability in the business and solve some of the current issues that are impacting on it before looking to engage a new General Manager to take over the running of the business.

GWAMCO currently has a three-person Board. This was reduced from five members in late-2014 as part of changes that were made to the Rules of Gascoyne Water Cooperative. The changes to the Rules also meant that members are now allowed to sit on both the GWC and GWAMCO Boards.

1.3 Purpose of this Report

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

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

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

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

The asset management system review covers:

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

2 Scope of Works

2.1 Audit/Review Objectives

The objectives of this audit were to:

1. Provide to the Authority an independent assessment of the Gascoyne Water Cooperative's compliance with all of the relevant obligations under the licences
2. Provide to the Authority an independent assessment of the effectiveness of the Gascoyne Water Cooperative's asset management system in relation to WL38
3. Provide recommendations to address non-compliances, if any.

2.2 Scope of Works

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

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

The scope of works of this audit included:

- ▶ Interviews with key staff members from the Gascoyne Water Cooperative to:
 - Assess findings from the last audit and review the actions taken to address the recommendations from the previous audit / review
 - Assess performance against licence conditions for WL38
 - Assess performance against each asset management process for WL38
- ▶ Reviews of documents, procedures and policy manuals in relation to financial management and planning, service performance standards, asset management, operations and maintenance functions and reporting
- ▶ Testing and assessment to determine whether the procedures and policies are followed and determine its effectiveness
- ▶ Preparation of an audit report in accordance with the format outlined in the ERA Audit and Review Guidelines: Water Licences (July 2014).

2.3 Methodology and Approach

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

- ▶ A start-up discussion (by telephone) with the Gascoyne Water Cooperative to:
 - Discuss the main issues to be addressed at audit
 - Identify any issues from the previous audit

- Identify any new issues arising from changes to the Licence or operating environment requirements
- Discuss the audit plan.
- ▶ Preparation of a draft audit plan for comment by the licensee. The audit plan identified the number and location of audits, the information to be addressed and the auditor responsible.
- ▶ Submission of the draft audit plan to the ERA for approval
- ▶ A start-up meeting on-site at the beginning of our audit work
- ▶ On-site audit work comprising:
 - Face-to-face interviews with business staff responsible for the audit area
 - Demonstration of key systems
 - Sample testing for outcome compliance (assessing sample of documents to confirm procedures / policies are followed and implemented)
 - Review of any non-compliances and assess if any corrective action was undertaken and its effectiveness
 - Controls assessment on obligations that are found to be non-compliant
- ▶ Preliminary audit feedback at the audit close-out meeting
- ▶ Preparation of a draft report for the ERA and Gascoyne Water Cooperative's review and comment
- ▶ Preparation of a final report for submission to the ERA

Our methodology for completing this audit assignment was based on:

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

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

Table 2-1 Licence Audit Methodology

Audit Area	Priority	Approach	Systems	Key Documents
Licence Audit				
Clause 4 Fees	5	<ul style="list-style-type: none"> Review invoices from Authority and receipts of payment 		<ul style="list-style-type: none"> Invoices and receipts
Clause 5 Compliance	Various	<ul style="list-style-type: none"> Review legislative requirements and confirm compliance Identify any corrective action applied to correct / prevent breaches of compliance 	<ul style="list-style-type: none"> Work scheduling system 	<ul style="list-style-type: none"> Performance standards Compliance Summary Reports (record of breaches)
Clause 12 Accounting Records	4	<ul style="list-style-type: none"> Check that 2012/13 and 2013/14 financial statements are signed off as being to appropriate standards 		<ul style="list-style-type: none"> 2012/13 Financial Statement 2013/14 Financial Statement Most recent 2014/15 financial information
Clause 13 Individual Performance Standards	NA	<ul style="list-style-type: none"> Confirm that not applicable 		
Clause 14 Operational Audit	4	<ul style="list-style-type: none"> Confirm Authority's requirement for an operational audit every 24 months Check if any requests have been submitted to the Authority to review requirements 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Previous operational audit reports Correspondence with the ERA
Clause 15 Reporting change in circumstances	5	<ul style="list-style-type: none"> Review any correspondence with the Authority 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA
Clause 16 Provision of Information	4	<ul style="list-style-type: none"> Confirm that the licensee has provided the Authority with data required for performance monitoring purposes as set out in the Compliance Reporting Manual. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Annual compliance reports Annual performance reports Correspondence register
Clause 17 Publishing Information	4	<ul style="list-style-type: none"> Check if any requests have been issued by the Authority to publish any information relating to the performance of the Licensee and correlating response 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Letters of notification / requests from the Authority Response to the Authority
Clause 18 Notices	4	<ul style="list-style-type: none"> Confirm all notices are issued in writing 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Issued notices Licensee communication/correspondence to the Authority
Clause 19	4	<ul style="list-style-type: none"> Confirm if any requests of a reviewable decision has been issued to the Authority and correlating response 		<ul style="list-style-type: none"> Requests for review of decision (Correspondence)

Audit Area	Priority	Approach	Systems	Key Documents
Review of the Authority's Decisions				
Clause 20 Asset Management System	4	<ul style="list-style-type: none"> Confirm that the asset management policies and procedures meet legislative requirements. Note for compliance with this clause the auditor simply needs to assure themselves that an asset management system is in place (i.e. AMP, staff, IT system etc.). For the level of effectiveness the auditor should refer to the Asset Management System Review undertaken concurrently. 	<ul style="list-style-type: none"> Enterprise Asset Management System Computerised Maintenance Management System 	<ul style="list-style-type: none"> Asset Management Policies Asset Management Plans Asset Management Systems and Procedures Manual Asset Register
Clause 21 Water Services Ombudsman Scheme	4	<ul style="list-style-type: none"> Confirm whether the licensee is a member of a scheme and assess compliance 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA Correspondence with Ombudsman
Clause 22 Standard Terms & Conditions	NA	<ul style="list-style-type: none"> Confirm that not applicable 		
Clause 23 Customer Contract	4	<ul style="list-style-type: none"> Check whether the Authority has asked for and approved a customer contract during the audit period. Confirm that the contracts comply with the Customer Contract Guidelines Check whether there have been any amendments to the customer contracts during the audit period. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA Examples of customer contracts
Clause 24 Non Standard Terms & Conditions of Service	4	<ul style="list-style-type: none"> Assess whether the licensee has agreements with customers that include non-standard terms and conditions If applicable, confirm that the non-standard terms and conditions have been approved by the Authority If applicable, confirm annual reports of agreements containing non-standard terms and conditions have been published and comply with the operating licence requirements. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA Examples of agreements with non-standard terms & conditions (if applicable) Annual reports of non-standard terms & conditions agreements
Clause 25 Supplier of Last Resort	4	<ul style="list-style-type: none"> Confirm whether the licensee is a supplier of last resort and, if applicable, assess compliance with the functions required under the operating licence. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA/Minister Last Resort Supply Plan
Clause 26 Duties of the Licensee	4	<ul style="list-style-type: none"> Assess compliance with the duties of the licensee under the Water Act 		<ul style="list-style-type: none"> Correspondence with ERA Compliance Summary Reports (record of breaches)

Audit Area	Priority	Approach	Systems	Key Documents
Clause 27 Provision of Water Services	4	<ul style="list-style-type: none"> ▪ Confirm the provision of services complies with those set out in Schedule 1 of the operating licence 		<ul style="list-style-type: none"> ▪ Current plan of operating area ▪ Customer contracts in place for the provision of water services
Clause 28 Provision of Water Services Outside Operating Areas	4	<ul style="list-style-type: none"> ▪ Check whether the licensee provides water services outside its designated operating area. 	<ul style="list-style-type: none"> ▪ Correspondence register 	<ul style="list-style-type: none"> ▪ Correspondence with ERA ▪ Current plans of operating area and map of licenced operating area
Clause 29 Works Holding Arrangements	4	<ul style="list-style-type: none"> ▪ Check whether any water service works that are not held by or for the licensee are covered by a Works Holding Arrangement agreement 		<ul style="list-style-type: none"> ▪ Works Holding Arrangements
Clause 30 Hardship Policy	4	<ul style="list-style-type: none"> ▪ Confirm that the licensee has a Hardship Policy and complies with any of the Authority's Financial Hardship Policy Guidelines that apply. 		<ul style="list-style-type: none"> ▪ Correspondence between licensee and ERA ▪ Hardship Policy
Clause 31 Memorandum of Understanding	NA	<ul style="list-style-type: none"> ▪ Confirm that not applicable 		

Table 2-2 Asset Management Review Methodology

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

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

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

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

2.4 Time Period Covered by the Audit/Review

The operational licence audit covers the period from 1 May 2013 to 30 April 2015. The asset management system review also covers the period from 1 May 2013 to 30 April 2015.

The previous operational licence audit covered the period from 1 May 2011 to 30 April 2013 and was undertaken by Quantum Management Consulting and Assurance (Quantum Assurance). The previous asset management system review also covered the period from 1 May 2011 to 30 April 2013 and was also undertaken by Quantum Management Consulting and Assurance (Quantum Assurance).

2.5 Time Period of the Audit/Review Process

The audit/review commenced in March 2015 with preparation of the draft Audit Plan. Interviews with the Gascoyne Water Cooperative's staff were carried out on Monday 8 June and Tuesday 9 June 2015 at the Cooperative's office in Robinson Street, East Carnarvon, WA.

2.6 Details of the Licensee Representatives Participating in the Audit/Review

Details of representatives from the Gascoyne Water Cooperative who participated in the audit and review process are provided in Table 2-3 below.

Table 2-3 Details of Licensee Representatives

Name	Organisation	Role
Rod Sweetman	Gascoyne Water Cooperative	Acting General Manager
Lisa Hodson	Gascoyne Water Cooperative	Office Manager

2.7 Details of Key Documents and Other Information Sources

- ▶ GWC Water Services Operating Licence 38 (Version OL2), 15 May 2009
- ▶ GWC Water Services Operating Licence, WL38, Version 3, 18 November 2013
- ▶ Carnarvon Operating Area (Irrigation services and non-potable water supply services) Plan No. OWR-OA-177(C)
- ▶ Quantum Assurance, Gascoyne Water Cooperative Limited, Operational Audit and Asset Management System Review, Report, July 2013
- ▶ GWC Updated Post-Audit and Post-Review Implementation Plan, May 2014
- ▶ Gascoyne Water Customer Service Charter, Version 1, Revision 6, 22 June 2012
- ▶ GWC Customer Service Standards & Water Services Policy Handbook
- ▶ GWC Rates and Charges Flyer
- ▶ GWC's Annual Reports for the year ended 30 June 2013 and 2014
- ▶ GWC's Customer Complaints Procedure Manual
- ▶ GWC Customer Complaints Procedure
- ▶ GWC Customer Complaints Guide for Complainant
- ▶ GWC's Customer Complaints Register
- ▶ GWC Compliance and Reporting Schedule.
- ▶ Rules of Gascoyne Water Cooperative Limited, 24 November 2014

- ▶ GWC Service Interruption Notifications Register
- ▶ GWC's Service Disruption Policy and Procedure
- ▶ Agenda and minutes for the GWC Annual General Meeting, 12 November 2013
- ▶ Agenda and draft minutes for the GWC Annual General Meeting, February 2015
- ▶ Sample of GWC newsletters and customer updates
- ▶ GWC Policy and Procedure Manual
- ▶ Performance Reports to the Authority for the years ended 30 June 2013 and 2014
- ▶ Compliance Reports to the Authority for the years ended 30 June 2013 and 2014
- ▶ GWC Compliance Register
- ▶ GWC Compliance Report Schedule 2015
- ▶ Correspondence between GWC and the Authority
- ▶ GWC's Strategic Plan 2012-2020
- ▶ GWC's Business Plan 2012-2014
- ▶ GWC's Asset Management System (September 2012)
- ▶ Business case for the Upgrade of the Gascoyne Irrigation Pipeline
- ▶ GWAMCO Business case for the Southern Borefield Transfer, July 2013
- ▶ Gascoyne Water Cashflow Forecast 2011/12 to 2021/22
- ▶ GWC's Operations and Maintenance Expenditure 2011-2016
- ▶ GWAMCO's Capital Expenditure Plan 2013-2062
- ▶ GWC and GWAMCO Profit & Loss and Cashflow Budget for 2014/15
- ▶ GWAMCO Asset Sinking Fund Calculator
- ▶ GWC Defects Tracking Register (dated 14.07.2014)
- ▶ Maintenance Labour Budget vs Actual 2012 onwards spreadsheet
- ▶ GWC Annual Report 2012-2013
- ▶ GWC Annual Report 2013-2014
- ▶ GWC's Asset Management Plan, September 2012
- ▶ GWC's Asset Creation and Acquisition Policy and Procedure
- ▶ GWC's Asset Acquisition, Creation and Replacement Register
- ▶ GWC's Asset Disposal Policy and Procedures
- ▶ GWC's Asset Disposal Register
- ▶ GWC Disconnection Register
- ▶ GWC's Environmental Analysis Policy and Procedures

- ▶ GWC’s Asset Operation Policy and Procedures
- ▶ GWC’s Asset Maintenance Inventory Policy and Procedures
- ▶ GWC’s Asset Registers for old a-c pipeline, new HDPE pipeline and the Northern Borefield
- ▶ GWC’s Operations Action Plan and Risk Assessment spreadsheet
- ▶ Board Operations and Maintenance Performance Data, November 2013
- ▶ GWC’s Work Order/Request Policy and Procedures
- ▶ GWC’s Routine and Planned Maintenance Policy and procedures
- ▶ Asset Maintenance Risk Register for Carnarvon Irrigation System
- ▶ GWC Maintenance Costing Policy and Procedure
- ▶ GWC Routine & Planned Maintenance Policy and Procedures
- ▶ GWC’s Master Routine Maintenance Schedule
- ▶ GWC’s Planned Works Register
- ▶ GWC’s Completed Works Register
- ▶ GWC’s Defects Tracking Register
- ▶ GWC’s Asset Management Information System Policy and Procedures
- ▶ GWC’s Risk Management Policy and Procedures
- ▶ GWC’s Strategic Risk Assessment and Management Plan
- ▶ GWC’s Business Risk Register
- ▶ GWC’s Risk Register for Carnarvon Irrigation System
- ▶ GWC’s Contingency Planning Policy and Procedures
- ▶ GWC’s Financial Planning Policy
- ▶ GWC’s Financial Plan
- ▶ GWC’s Capital Expenditure Plan
- ▶ GWC’s AMS Review and Improvement Policy and Procedure
- ▶ GWC’s Improvements and Action Plans Register.

2.8 Details of Auditors Participating in the Audit/Review and Hours Utilised

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

Details of their roles and hours utilised in the audit/review process are provided in the table below.

Table 2-4 Details of Audit / Review Team Members

Name	Organisation	Role	Summary of Task	Hours Utilised
Justin Edwards	Cardno	Auditor	<ul style="list-style-type: none"> ▪ Prepare audit plan ▪ Undertake audit ▪ Prepare audit report 	100

Name	Organisation	Role	Summary of Task	Hours Utilised
Stephen Walker	Cardno	Reviewer	<ul style="list-style-type: none">Review Audit PlanReview Audit Report	10

3 Licensee’s Response to Previous Recommendations

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

3.1 Previous Audit Non-Compliances and Recommendations

Details of the actions completed by the Gascoyne Water Cooperative against each of the previous operational licence audit non-compliance and recommendations are presented in Table 3-1 below.

Table 3-1 Previous Audit Non-compliances and Recommendations

A. Resolved before end of previous Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor’s recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
B. Resolved during current Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor’s recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
1.1/2013	<p>Customer Complaints Process</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> A Customer Complaints Procedure Manual has been developed and has been in use since October 2011. However, the audit has noted 	<p><i>Review and update the Customer Complaints Procedure Manual in order to align it with the customer complaints handling requirements of the licence.</i></p>	August 2013	No further action required

B. Resolved during current Audit period

some discrepancies between the customer complaints handling requirements as prescribed by the Licence and the customer complaints handling process as outlined in GWC's Customer Complaints Procedure Manual as follows:

- The GWC's Customer Complaints Procedure Manual refers to the required timeframe for complaint resolution as 15 calendar days, not 15 business days, as required under the Licence.

The requirement that, if a dispute has not been resolved within 15 business days, a licensee must inform the customer of the option of referring their complaint to the Department of Water, is not included in GWC's Customer Complaints Procedure Manual.

We confirmed that the licensee's Customer Complaints Procedure was updated in August 2013 to ensure that it aligns with the customer complaints handling requirements of the licence. We confirmed that the procedure has been updated to refer to 15 business days as opposed to 15 calendar days.

1.2/2013

Customer Complaints – Resolution with 15 business days

Schedule 3 clause 3.1 of the Licence requires the licensee to have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days.

The previous audit noted the following:

- The audit sighted the Complaints Register and noted that all customer complaints over the audit period, except two, were resolved within 15 business days.
- The two exceptions related to two consecutive complaints from one complainant in regards to the same matter. Audit has reviewed the complaints documentation and noted the following exceptions:

- a) *Where a final response to the complainant cannot be provided within 15 business days of the complaint being received, the officer handling the complaint should respond within 15 business days by written communication to the complainant.*

The licensee has revised its procedure to respond to a customer within five business days to acknowledge receipt of their complaint. The licensee still aims to resolve all customer complaints within the 15 business day's timeframe but if it requires more time to complete investigations it issues an interim response to the customer to explain the delay in the final resolution.

August 2013

No further action required

B. Resolved during current Audit period

	<ul style="list-style-type: none"> - Complaint ID 2013.002 re cost of connection & misinformation – the complaint was resolved by the Board on its meeting on 17 January 2013 (within 10 business days of the receipt of complaint), however the final response was provided to the complainant by the Company Secretary via letter on 14 February 2013 (29 business days after the receipt of complaint). - Complaint ID 2013.003 re cost of connection & misinformation – request Board to re-evaluate decision - the complaint was resolved by the Board on its meeting on 8 March 2013 (within 9 business days of the receipt of complaint), however the final response was provided to the complainant by the CEO via letter on 22 March 2013 (19 business days after the receipt of complaint). The audit also noted that the Complaints Register states that the complaint was resolved within 35 business days, which is not accurate (should be 19). ▪ The audit concluded that in both instances the complaints could have been resolved within the required timeframe of 15 business days, however in both cases there were delays in providing the final responses to the complainant. ▪ The audit also noted that GWC hadn't informed the complainant of the option of referring their complaint to the Department of Water as per the Licence requirement. 	<p>b) <i>Ensure that if a dispute has not been resolved within 15 business days, the customer is informed of the option of referring their complaint to the Department of Water.</i></p> <p>The receipt of acknowledgment that the licensee issues to all customers within five business days informs customers of the option of referring their complaint to the Department of Water. The licensee includes the ombudsman information sheet with the written response.</p> <p>This information is also included in the Customer Service Charter and on the Customer Complaints Resolution page on the licensee's website.</p>	<p>August 2013</p>	<p>No further action required</p>
		<p>c) <i>Review the figures in the "Days taken to close complaint" column of the Complaints Register to ensure correct entries.</i></p> <p>We confirmed that the licensee has revised its Complaints Register to include a number of additional columns, including one to record the days taken to resolve a complaint.</p>	<p>August 2013</p>	<p>No further action required</p>
<p>1.3/2013</p>	<p>Customer Complaints Register</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> ▪ Complaints are recorded in GWC's Complaints Register with a unique complaint number. The audit confirmed that the nature of complaints is included in GWC's Complaints Register. However not the outcomes of complaints, although the number, nature of as well as 	<p><i>Update the Complaints Register in order to enable monitoring and recording of outcomes to complaints i.e. add another column.</i></p> <p>We confirmed that the licensee has revised its Complaints Register to include a number of additional columns, including one to record the outcome of the complaint.</p>	<p>May 2014</p>	<p>No further action required</p>

B. Resolved during current Audit period

outcomes to complaints are recorded on the individual Complaints Forms.				
1.4/2014	<p>Customer Consultation</p> <p>The previous audit noted the following:</p> <ul style="list-style-type: none"> Audit sighted copies of the newsletters, however noted that the newsletters cannot be accessed through GWC website although the link is provided. 	<p><i>Ensure the newsletters are accessible through GWC's website.</i></p> <p>We confirmed that the customer newsletters are accessible through the licensee's website.</p>	July 2013	No further action required

C. Unresolved at end of current Audit period

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
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3.2 Previous Review Ineffective Components and Recommendations

Details of the actions completed by the Gascoyne Water Cooperative against each of the previous asset management system review recommendations are presented in Table 3-2 below.

Table 3-2 Previous Review Ineffective Components and Recommendations

A. Resolved before end of previous review period

Reference (no./year)	(Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
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B. Resolved during current review period

Reference (no./year)	(Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
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C. Unresolved at end of current review period

Reference (no./year)	(Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation
2.1/2013	<p>Asset Operations – Asset Register</p> <p>The revised Asset Registers for the old a-c pipeline, new HDPE pipeline and the Northern Borefield include all the necessary information including the asset physical/structural conditions.</p> <p>However, the audit was advised that the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers is based on an actual purchase price and need to be replaced to reflect life cycle costing. Audit acknowledges that this is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p>	Update the replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers to reflect life cycle costing (already recorded as an action item in GWC's AMS Improvements and Action Plan).	Unresolved	Action is required as the recommendation from the previous audit has not been completed. Refer to recommendation R1/2015.
2.2/2013	<p>Contingency Planning - Testing</p> <p>Testing of individual components of the contingency plan has relied on their practical application to actual incidents that have arisen and the positive outcomes resulting have proved the effectiveness of the contingency planning. However, there is currently no process in place to formally test all of the contingency plans on a regular basis.</p>	All contingency plans need to be regularly tested, such as by an annual desktop review of the plan by the key participants, and discussion of potential scenarios. Evidence of the test and any action to be taken needs to be maintained.	Unresolved	Action is required as the recommendation from the previous audit has not been completed. Refer to recommendation R2/2015.
2.3/2013	<p>Financial Planning</p> <p>GWC's Cashflow Forecast 2011/12 – 2021/22 includes Operating Statements (P&L) until 2021/22. However, there are no projected Statements of Financial Position.</p>	As part of the Financial Plan, develop projected Statements of Financial Position for at least the next 5 years in order to provide a better analysis of past performance and to assist future planning.	Unresolved	Action is required as the recommendation from the previous audit has not been completed. Refer to recommendation R3/2015.
2.4/2013	<p>Capital Expenditure Planning</p> <p>Assets are replaced at the end of their useful life.</p> <p>GWAMCO's Capital Expenditure Plan 2013-2062 was developed using the Capital Budget template available from the Authority and this in essence does constitute a basic replacement strategy.</p>	Update the GWAMCO's Capital Expenditure Plan for asset renewal incorporating life cycle costing (already recorded as an action item in GWC's AMS Improvements and Action Plan).	Unresolved	Action is required as the recommendation from the previous audit has not been completed. Refer to recommendation R4/2015.

C. Unresolved at end of current review period

However, the audit was advised that the Plan needs to be updated for asset renewal incorporating life cycle costing. The audit acknowledges that this is already recorded as an action item in

We note that GWANCO is the owner of the northern borefield but is not the licence-holder. GWC operate under instruction from GWAMCO but have not received any instruction from GWAMCO to update its capital expenditure plan.

2.5/2013	Review of Asset Management System	Update the AMS Review section of the Asset Management Plan for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.	Unresolved	Action is required as the recommendation from the previous audit has not been completed. An update of the AMP has been drafted but needs to be reviewed and approved by the Board. Refer to recommendation R5/2015.
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4 Performance Summary

The performance audit is summarised in a table with adequacy of control and compliance rating. The table includes all applicable compliance reporting items and are numbered according to the ERA's Water Compliance Reporting Manual, April 2014. Description of the rating scale and outcomes of the performance audit is provided in the following sections.

4.1 Assessment Rating Scales

In accordance with the Audit Guidelines, an assessment of the performance of the Gascoyne Water Cooperative was completed using the rating scale in Table 4-1 and asset management system effectiveness using the rating scales in Table 4-2 and Table 4-3.

Table 4-1 Audit Compliance and Controls Rating Scales

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

Table 4-2 Asset Management Process and Policy Definition Adequacy Rating

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

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

Table 4-3 Asset Management Performance Ratings

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

4.2 Operational Audit Compliance Summary

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

Na = Not applicable - Determined during the audit that the compliance obligation does not apply to the Licensee's business operations

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

Table 4-4 Audit Obligation Ratings

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating				
			A	B	C	D	NP	1	2	3	4	Na
Water Services Licensing Act 1995												
2012/7	Clause 20.1	2	✓						✓			
2012/9	Clause 6.1	4						✓	✓			
2012/10	Schedule 3 Clause 3.1	4						✓	✓			
2012/12	Schedule 3 Clause 3.2 (b)	5						✓	✓			
2012/14	Schedule 3 Clause 3.2 (d)	4						✓	✓			
2012/15	Schedule 3 Clause 3.4	4						✓	✓			

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	NR		
2012/17	Schedule 3 Clause 3.6	4					✓								✓
2012/18	Schedule 3 Clause 3.7	4					✓								✓
2012/19	Clause 7.1	4					✓	✓							
2012/20	Schedule 3 Clause 2.5	4					✓	✓							
2012/21	Schedule 3 Clause 2.6	5					✓	✓							
2012/22	Schedule 3 Clause 2.7 or 2.8	4					✓	✓							
2012/23	Clause 8	4					✓	✓							
2012/24	Schedule 3 Clause 4.1	4					✓	✓							
2012/25	Schedule 3 Clause 4.2	4					✓	✓							
2012/26	Schedule 3 Clause 4.3	4					✓								✓
2012/27	Schedule 3 Clause 4.4	4					✓	✓							
2012/32	Schedule 3 Clause 6	4					✓								✓
2012-	Schedule 6 Clause 2.1	4					✓	✓							
2012-	Schedule 6 Clause 2.2	4					✓	✓							
2012-	Schedule 6 Clause 2.3	4					✓								✓
Fees (Clause 4)															
155	Clause 4	5					✓								✓
Compliance (Clause 5)															
156	Clause 5.1	4					✓	✓							
Water Services Act 2012															
10	Clause 5.2	4						N/A							✓
11	Clause 5.3	4						N/A							✓
13	Section 36	4					✓								✓
16	Section 77(3)	4					✓	✓							
20	Section 90(7)	5					✓	✓							
21	Section 95(3)	2						N/A							✓
22	Section 96(1)	4					✓	✓							
23	Section 96(5)	5					✓	✓							
28	Section 119(2)	4					✓	✓							
29	Section 122(2)	4					✓								✓
30	Section 125(2)	4						N/A							✓

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated ¹ (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	NR		
31	Section 128(4)	4					✓								✓
32	Section 129(5)	4					✓								✓
33	Section 139(3)	4					✓								✓
34	Section 141(1)	4					✓								✓
35	Sections 142	4					✓								✓
36	Sections 143 (2)	4					✓								✓
37	Sections 143 (3)	4					✓								✓
38	Sections 144(3)	4					✓								✓
39	Section 145(2)	4					✓								✓
40	Section 147(3)	4					✓								✓
41	Section 147(4)	4					✓								✓
42	Section 151(1)	4					✓								✓
43	Section 151(2)	4					✓								✓
44	Section 152(3)	4					✓								✓
45	Section 153(3)	4					✓								✓
46	Section 166(5)	4					✓								✓
47	Section 166(6)	4					✓								✓
48	Section 170	4					✓								✓
49	Section 173(4)	4					✓								✓
50	Section 174(1)	4					✓								✓
51	Section 174(3)	4					✓								✓
52	Section 175(2)	4						N/A						✓	
53	Section 175(5)	4						N/A						✓	
54	Section 176(1)	4					✓								✓
55	Section 176(3)	4					✓								✓
56	Section 176(4)	4					✓								✓
57	Section 181	5					✓								✓
58	Section 186	4					✓								✓
59	Section 187(1) – (3)	4					✓								✓
60	Section 190(4)	4					✓								✓
61	Section 190(5)	4					✓								✓
62	Section 210(5)	4					✓								✓
63	Section 218(2)	5					✓								✓

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	NR		
64	Section 218(3)	4					✓								✓
157	Clause 5.2	4					N/A								✓
158	Clause 5.3	4					N/A								✓
Water Services Regulations 2013															
74	Regulation 60(2)	4					N/A								✓
75	Regulation 63	4					N/A								✓
89	Regulation 85	4					✓	✓							
Water Services Code of Conduct (Customer Service Standards) 2013															
92	Clause 7	4					N/A								✓
93	Clause 8	4					N/A								✓
94	Clause 9	4					N/A								✓
95	Clauses 10(2)	4					N/A								✓
96	Clauses 10(3)	4					N/A								✓
97	Clause 10(4)	4					N/A								✓
98	Clause 10(5)	4					N/A								✓
99	Clause 11	4					N/A								✓
103	Clause 13(1)	4					N/A								✓
104	Clause 13(2)	4					N/A								✓
105	Clause 14(1)	4					N/A								✓
106	Clause 15	4					N/A								✓
107	Clause 16(2)	4					N/A								✓
108	Clause 16(3)	4					N/A								✓
109	Clause 16(4)	4					N/A								✓
110	Clause 16(5)	4					N/A								✓
111	Clause 17(1)	4					N/A								✓
112	Clause 17(2)	4					N/A								✓
113	Clause 18(1)	4					N/A								✓
114	Clause 18(2)	4					N/A								✓
115	Clauses 18(3) & (6)	4					N/A								✓
116	Clause 18(4)	4					N/A								✓
117	Clause 18(5)	4					N/A								✓
118	Clause 20	4					N/A								✓
119	Clause 21(1)	4					N/A								✓

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	NR	
120	Clause 21(2)	4					N/A							✓
121	Clause 22	4					N/A							✓
122	Clause 23(1)	4					N/A							✓
123	Clause 24	4					N/A							✓
124	Clause 25	4					N/A							✓
125	Clauses 26(1) & (2)	4					N/A							✓
126	Clause 26(3)	4					N/A							✓
127	Clause 26(4)	4					N/A							✓
128	Clause 26(5)	4					N/A							✓
129	Clauses 26(6)	4					N/A							✓
130	Clause 27(2)	4					N/A							✓
131	Clause 27(3)	4					N/A							✓
132	Clause 28(1)	4					N/A							✓
133	Clauses 28(4) & (5)	4					N/A							✓
134	Clause 29	4					N/A							✓
139	Clause 33	4					N/A							✓
142	Clause 34(4)	4					N/A							✓
144	Clause 34(6)	4					N/A							✓
145	Clause 35(1)	4					N/A							✓
146	Clause 35(2)	4					N/A							✓
147	Clause 35(3)	4					N/A							✓
148	Clause 35(4)	4					N/A							✓
149	Clause 35(6)	4					N/A							✓
150	Clause 36(1)	4					N/A							✓
152	Clause 36(2)	4					N/A							✓
153	Clause 37(1)	4					N/A							✓
159	Clause 5.4	4						✓						✓
Water Services Act 2012														
Accounting Records (Clause 12)														
160	Section 12	4						✓	✓					
Individual Performance Standards (Clause 13)														
161	Section 12	5						✓	✓					

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating				
			A	B	C	D	NP	1	2	3	4	Na
Operational Audit (Clause 14)												
9	Section 25	5					✓	✓				
162	Section 12	4					✓	✓				
Reporting a Change in Circumstance (Clause 15)												
163	Section 12	2					✓					✓
164	Section 12	4					✓					✓
Provision of Information (Clause 16)												
165	Section 12	4					✓	✓				
166	Section 12	4					✓	✓				
167	Section 12	4					✓	✓				
Publishing Information (Clause 17)												
168	Section 12	4					✓					✓
Notices (Clause 18)												
169	Section 12	4					✓	✓				
Asset Management System (Clause 20)												
170	Section 12	4					✓					✓
171	Section 12	5					✓					✓
172	Section 12	4					✓	✓				
6	Sections 24(1)(a) & 24(2)	4					✓	✓				
7	Section 24(1)(b)	5					✓					✓
8	Section 24(1)(c)	5					✓	✓				
Water Services Ombudsman Scheme (Clause 21)												
173	Section 12	4					✓	✓				
15	Section 66	4					✓	✓				
Standard Terms & Conditions of Service (Clause 22)												
174	Section 12	4					N/A					✓
Customer Contract (Clause 23)												

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating							
			A	B	C	D	NP	1	2	3	4	Na	NR		
175	Section 12	5					✓								✓
176	Section 12	5					✓								✓
177	Section 12	5					✓								✓
178	Section 12	5					✓								✓
Non Standard Terms & Conditions of Service (Clause 24)															
179	Section 12	4						N/A							✓
180	Section 12	4						N/A							✓
Supplier of Last Resort (Clause 25)															
181	Section 12	4						N/A							✓
14	Section 60	4						N/A							✓
Duties of the licensee (Clause 26)															
12	Section 29	4						✓	✓						
Provision of Water Services (Clause 27)															
1	Section 21(1)(a)	5						✓	✓						
2	Section 21(1)(b)	4						✓	✓						
3	Section 21(1)(c)	4						✓	✓						
Provision of Water Services Outside Operating Area (Clause 28)															
182	Section 12	4						✓							✓
4	Section 22	4						✓							✓
Works Holding Arrangements (Clause 29)															
5	Section 23	4						✓	✓						
Hardship Policy (Clause 30)															
183	Section 12	4						N/A							✓
Memorandum of Understanding (Clause 31)															
184	Section 12	N/A						N/A							✓
185	Section 12	N/A						N/A							✓
186	Section 12	N/A						N/A							✓

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	NR
	Performance Standards (Schedule 3)												
190	Section 9	2	✓						✓				

4.3 Asset Management Review Effectiveness Summary

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

The review was conducted utilising the asset management adequacy and performance ratings as outlined in the Audit Guidelines. A summary of the outcomes of the review is provided in Table 4-5.

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

Table 4-5 Asset Management Review Effectiveness Summary

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
Asset planning	C	2
<ul style="list-style-type: none"> ▪ Asset management plan covers key requirements 	C	2
<ul style="list-style-type: none"> ▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning 	C	2
<ul style="list-style-type: none"> ▪ Service levels are defined 	A	1
<ul style="list-style-type: none"> ▪ Non-asset options (e.g. demand management) are considered 	A	1
<ul style="list-style-type: none"> ▪ Lifecycle costs of owning and operating assets are assessed 	C	2
<ul style="list-style-type: none"> ▪ Funding options are evaluated 	C	2
<ul style="list-style-type: none"> ▪ Costs are justified and cost drivers identified 	C	2
<ul style="list-style-type: none"> ▪ Likelihood and consequences of asset failure are predicted 	C	2
<ul style="list-style-type: none"> ▪ Plans are regularly reviewed and updated 	C	2

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
Asset creation/acquisition	C	2
<ul style="list-style-type: none"> Full project evaluations are undertaken for new assets 	A	1
<ul style="list-style-type: none"> Evaluations include all life-cycle costs 	A	1
<ul style="list-style-type: none"> Projects reflect sound engineering and business decisions 	A	1
<ul style="list-style-type: none"> Commissioning tests are documented and completed 	A	1
<ul style="list-style-type: none"> Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood 	C	2
Asset disposal	C	2
<ul style="list-style-type: none"> Under-utilised and under-performing assets are identified as part of a regular systematic review process 	C	2
<ul style="list-style-type: none"> The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken 	C	2
<ul style="list-style-type: none"> Disposal alternatives are evaluated 	A	1
<ul style="list-style-type: none"> There is a replacement strategy for assets 	A	2
Environmental analysis	C	2
<ul style="list-style-type: none"> Opportunities and threats in the system environment are assessed 	C	2
<ul style="list-style-type: none"> Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved 	A	1
<ul style="list-style-type: none"> Compliance with statutory and regulatory requirements 	A	1
<ul style="list-style-type: none"> Achievement of customer service levels 	A	1
Asset operations	C	2
<ul style="list-style-type: none"> Operational policies and procedures are documented and linked to service levels required 	C	2
<ul style="list-style-type: none"> Risk management is applied to prioritise operations tasks 	A	2

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data 	B	2
<ul style="list-style-type: none"> Operational costs are measured and monitored 	A	1
<ul style="list-style-type: none"> Staff resources are adequate and staff receive training commensurate with their responsibilities 	A	2
Asset maintenance	C	2
<ul style="list-style-type: none"> Maintenance policies and procedures are documented and linked to service levels required 	C	2
<ul style="list-style-type: none"> Regular inspections are undertaken of asset performance and condition 	B	2
<ul style="list-style-type: none"> Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule 	C	2
<ul style="list-style-type: none"> Failures are analysed and operational / maintenance plans adjusted where necessary 	B	2
<ul style="list-style-type: none"> Risk management is applied to prioritise maintenance tasks 	B	2
<ul style="list-style-type: none"> Maintenance costs are measured and monitored 	A	1
Asset management information system	C	2
<ul style="list-style-type: none"> Adequate system documentation for users and IT operators 	A	1
<ul style="list-style-type: none"> Input controls include appropriate verification and validation of data entered into the system 	A	1
<ul style="list-style-type: none"> Logical security access controls appear adequate, such as passwords 	A	1
<ul style="list-style-type: none"> Physical security access controls appear adequate 	A	1
<ul style="list-style-type: none"> Data backup procedures appear adequate and backups are tested 	A	1

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

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
Capital expenditure planning	C	2
<ul style="list-style-type: none"> There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates 	C	2
<ul style="list-style-type: none"> The plan provides reasons for capital expenditure and timing of expenditure 	C	2
<ul style="list-style-type: none"> The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan 	A	1
<ul style="list-style-type: none"> There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	A	2
Review of AMS	C	2
<ul style="list-style-type: none"> A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current 	C	2
<ul style="list-style-type: none"> Independent reviews (e.g., internal audit) are performed of the asset management system 	A	1

5 Observations and Recommendations

5.1 Performance Audit

Table 5-1 Performance Audit Observations

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Water Services Licensing Act 1995						
<p><i>Note: Licence obligations under the Water Service Licencing Act 1995 have now been made redundant by the introduction of the Water Services Act 2012. The redundant obligations are included in this table with a reference to the 2012 version of the Compliance Manual in the second column).</i></p>						
<p>The Licensee must comply with the service and performance standards as set out in Schedule 4. These are:</p> <p>1.1 <u>Notification of Non-Potable Water</u></p> <p>The licensee shall provide annual notification to all customers provided with non-potable water that the water supplied is not suitable for drinking.</p> <p>Target:</p> <p>100% of customers provided with non-potable receive annual advice that the water supplied is not suitable for drinking.</p> <p>2.1 <u>Quality of Supply</u></p> <p>Supply water that is suitable for Irrigation purposes</p> <p>Target:</p> <p>To supply water that is less than 1200 mg/L TDS.</p> <p>3.1 <u>Customer Complaints</u></p>	2012/7	Clause 20.1	2	<p><u>Notification of Non-Potable Water</u></p> <ul style="list-style-type: none"> We confirmed that the invoice template used by licensee to bill its customers every month specifies that the water supplied is a non-potable supply. The Customer Service Charter also states in a number of places that the water supplied is a non-potable supply (How We Supply Irrigation Water, Section 2.3 – Service Delivery and Section 6.1 – Customer Connections. Based on the evidence reviewed at audit, we confirmed that the licensee has met the requirement to provide annual notification to 100% of customers provided with non-potable that the water supplied is not suitable for drinking. <p><u>Quality of Supply</u></p> <ul style="list-style-type: none"> The licensee samples water quality on the north borefield. Sampling is carried out every four weeks. Although the licensee has a licence requirement and target related to TDS, 	<ul style="list-style-type: none"> Interviews with license staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 GWC Monthly Customer Invoices Water Quality Annual Reports 2013, 2014 Bore Data Sheets ALS Water Quality Test Reports Annual Performance Reports (2013, 2014) GWC Customer Complaints – A Guide for the Complainant GWC Customer Complaints Procedure. Complaints Register 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>Complaints to be resolved within 15 business days.</p> <p>Target: 90% of customer complaints resolved within 15 business days.</p> <p>4.1 Planned Interruptions Planned service interruptions with 5 business days' notice</p> <p>Target: In the preceding 12 month period 90% of all customers received the service standard.</p>				<p>the water is tested for a range of quality parameters every quarter and annually.</p> <ul style="list-style-type: none"> ▪ The licensee carries out the testing for TDS. However, for the more detailed quarterly and annual testing, the licensee carries out the water sampling and the samples are sent to ALS in Perth. ▪ The ALS test reports are provided back to the licensee as well as also being sent to the Department of Water. ▪ The samples are only taken at the borefield. No sampling is taken from the pipeline or outlets. Once the water has been delivered to the customer's storage, the quality is the responsibility of the customer. ▪ GWC operations staff record the TDS test data on bore data sheets and examples of these were viewed during the audit. ▪ GWC has trigger levels for its TDS sampling which results in resampling and escalation if required. ▪ In addition to the licensee's own water sampling regime, Water Corporation, who is the asset owner of the southern borefield, carry out their own sampling and testing for this source. Sampling is completed monthly and Water Corporation provides the test data to GWC for publishing on the Cooperative's website. ▪ In addition, some customers carry out their own sampling and testing from the Fresh Care Quality System, as the water used in fruit washing and other 	<ul style="list-style-type: none"> ▪ Rules of Gascoyne Water Cooperative Limited ▪ Notices with unplanned shutdown details 	

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>farm operations needs to meet certain standards.</p> <ul style="list-style-type: none"> ▪ We reviewed a sample of completed bore data sheets and the ALS Annual Reports that include the water quality results for 2013 and 2014. We confirmed the licensee has achieved the TDS target in the period for which this obligation under the previous licence was applicable. The water quality sampling data showed that the TDS levels did not exceed 700 mg/l in the period. 		
				<p><u>Customer Complaints</u></p> <ul style="list-style-type: none"> ▪ The licensee's Customer Service Charter sets out the complaints process. An overview is provided in the Customer Contact section of the June 2012 version of the Charter. ▪ The licensee also has a Customer Complaints – A Guide for the Complainant document included in its Policy and Procedure Manual which sets out the procedure in more detail. The Manual also includes the licensee's Customer Complaints Procedure. ▪ The licensee's website has a separate section related to Customer Complaint Resolution. ▪ Complaints may be made in writing, by telephone, in person at the licensee's office or by email. Contact details are included in the Customer Service Charter and are also provided on the licensee's website. ▪ The licensee maintains an Excel spreadsheet register for tracking 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>complaints. The register records the complaint number, customer details, the received date, a summary of the issue, a summary of the response and the date the licensee responded.</p> <ul style="list-style-type: none"> ▪ The licensee also has a complaints procedure in it Rules of Gascoyne Water Cooperative Limited, which sets out the rules and responsibilities for the Cooperative and its members. ▪ The licensee has a Disputes Panel and Committee that complaints can be escalated to if they cannot be resolved by the licensee. The Disputes panel is elected by member customers of the cooperative annually. The process for resolution of disputes is also covered in the Gascoyne Water Cooperative Limited. ▪ The licensee usually receives a small number of complaints each year. ▪ We reviewed the licensee’s complaints register and confirmed that it received 41 complaints in 2013 for the period between 1 May and 18 November 2013 that this obligation as in place under the previous licence. We also confirmed that the licensee received four complaints in 2014 and two complaints in 2015 up to the end of the audit period on 30 April 2015. ▪ The reason for the large number of complaints received in 2013 was predominantly due to pressure issues resulting from bringing the new pipeline online. ▪ We confirmed that two of the 41 complaints received in 2013 were resolved in more than 15 business days. 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>The two complaints were from a single customer and related to costs for new meters. In both cases the customer was not satisfied with the response from the licensee and the complaints were escalated to the Board. This resulted in the time to resolve being more than 15 business days.</p> <ul style="list-style-type: none"> ▪ Although these two complaints took more than 15 business days to resolve, the licensee achieved a 95% resolution of customer complaints within the target timeframe. Therefore, the licensee has achieved its target obligation for resolving complaints. ▪ We compared the complaints register to the complaints data the licensee has reported for inclusion in the National Performance Report. Based on the financial year (as opposed to the calendar year), the licensee has recorded no complaints in 2012/13, 44 complaints in 2013/14 and three complaints in 2014/15 in the complaints register. We confirmed that these complaint numbers reconciled with the data submitted in the annual performance reports for 2012/13 and 2013/14. The 2014/5 performance report has not yet been submitted. <p><u>Planned Interruptions</u></p> <ul style="list-style-type: none"> ▪ If the licensee needs to initiate a planned shutdown within the irrigation system, it issues notices to growers. The licensee has a fax system to send out notices and also uses email and SMS to notify customers of 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>interruptions. Copies of the notices are kept on file.</p> <ul style="list-style-type: none"> ▪ However, the licensee does not have many planned interruptions. Generally if a customer requires a new connection to the pipeline, a planned interruption is needed to complete the connection. However, there has only been one new connection since the pipeline was constructed in 2011. This connection was installed in March 2015, outside of the time period that this obligation was in place. The licensee completed this new connection during a period when the pipeline was already shutdown. ▪ We confirmed that the licensee did not have any planned shutdowns of the system in 2013 or 2014. ▪ Water Corporation own and operate the southern borefield that supplies the licensee. There are issues with Water Corporation not providing much notice of interruptions to their supply. However, if Water Corporation interrupt the supply to the pipeline, the licensee treats this as an unplanned incident and, therefore, it is not covered under this performance measure. ▪ The licensee provides customers with as much notice as it can when Water Corporation interrupt its supply. ▪ We reviewed a sample of notices and confirmed that they all related to unplanned interruptions. We confirmed that the new connection that the licensee has connected to the pipeline in March 2015 (outside of the period this obligation was in place) was made during a time when Water Corporation 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				had interrupted the supply from the southern borefield and an unplanned interruption took place.		
Other Licence Conditions						
The licensee must establish a customer complaints process as set out in Schedule 3.	2012/9	Clause 6.1	4	<ul style="list-style-type: none"> Refer to Customer Complaints section included in the previous obligation (Reference 2012/7) 	<ul style="list-style-type: none"> Interviews with license staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 Annual Performance Reports (2013, 2014) GWC Customer Complaints – A Guide for the Complainant GWC Customer Complaints Procedure. Complaints Register Rules of Gascoyne Water Cooperative Limited 	1
The licensee must resolve customer complaints within 15 business days of the receipt of complaint.	2012/10	Schedule 3 Clause 3.1	4	<ul style="list-style-type: none"> Refer to Customer Complaints section included in Reference 2012/7. We confirmed that the licensee resolved 39 of the 41 received between 1 May 2013 and 18 November 2013 (the period within the audit period that this obligation was relevant) within 15 business days of the receipt of complaint. We confirmed that two complaints were not resolved within 15 business days as they were escalated to the Board. The 	<ul style="list-style-type: none"> Interviews with license staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 Annual Performance Reports (2013, 2014) GWC Customer Complaints – A 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				time to deal with complaints escalated to the Board depends on when the Board sits as generally the licensee would not hold additional Board meetings to discuss complaints.	Guide for the Complainant	
				<ul style="list-style-type: none"> We confirmed that the licensee achieved its target obligation for resolving complaints. 	<ul style="list-style-type: none"> GWC Customer Complaints Procedure. Complaints Register Rules of Gascoyne Water Cooperative Limited 	
The licensee must provide appropriately trained staff to respond to complaints.	2012/12	Schedule 3 Clause 3.2 (b)	5	<ul style="list-style-type: none"> The Office Administrator is authorised to make decisions to respond to complaints. If compensation is required and this is above a level that the Office Administrator can authorise, the General Manager has to sign-off the response to the claimant. The licensee has not provided any specific customer complaint handling training to its staff, and has been provided as on-the-job training. The licensee has detailed procedural documentation in the GWC Customer Complaints – A Guide for the Complainant and the GWC Customer Complaints Procedure to be able to adequately respond to complaints. As such, we do not consider that that licensee has provided appropriately trained staff to respond to customer complaints. 	<ul style="list-style-type: none"> Interviews with license staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 Annual Performance Reports (2013, 2014) GWC Customer Complaints – A Guide for the Complainant GWC Customer Complaints Procedure. Complaints Register Rules of Gascoyne Water Cooperative Limited 	1
The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	2012/14	Schedule 3 Clause 3.2 (d)	4	<ul style="list-style-type: none"> Refer to Customer Complaints section included in 2012/7. The licensee has an Excel spreadsheet to monitor and record the number of complaints and the outcomes to the complaints. Given the licensee has a small number of customers, the system 	<ul style="list-style-type: none"> Interviews with licensee staff Complaints Register 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				is appropriate to the size of the licensee's customer base.		
The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water.	2012/15	Schedule 3 Clause 3.10	4	<ul style="list-style-type: none"> ▪ Section 5.10 of the Customer Contact section of the licensee's Customer Service Charter informs customers that a disputed complaint may be referred to the Department of Water. ▪ The Customer Service Charter provides an explanation of the process and the contact details for the Customer Service Officer. It also provides information on further escalation to the arbitrator. ▪ The licensee has a Disputes Panel that complaints can be escalated to if they cannot be resolved by the licensee. One complaint was referred to the Panel during the audit period. This related to a meter read on the last day of the year that the customer thought should take place after this date so that they could receive their full allocation for the year. This complaint was not escalated to the Department of Water. ▪ We confirmed that none of the complaints received in the audit period have been referred to the Department of Water. 	<ul style="list-style-type: none"> ▪ Interviews with license staff ▪ Customer Service Charter, September 2011 ▪ Customer Service Charter, June 2012 ▪ GWC Customer Complaints – A Guide for the Complainant ▪ GWC Customer Complaints Procedure. ▪ Complaints Register ▪ Rules of Gascoyne Water Cooperative Limited 	1
The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	2012/17	Schedule 3 Clause 3.6	4	<ul style="list-style-type: none"> ▪ There have been no disputed complaints referred to the Department of Water during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Complaints Register 	NR
The licensee must, on request, provide complaints details to the Department of Water.	2012/18	Schedule 3 Clause 3.7	4	<ul style="list-style-type: none"> ▪ There have been no disputed complaints referred to the Department of Water during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Complaints Register 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The licensee must establish a Customer Service Charter as set out in Schedule 3.	2012/19	Clause 7.1	4	<ul style="list-style-type: none"> A Customer Service Charter has been prepared in accordance with the ERA's guidelines. The current version of the Customer Service Charter was revised in June 2012. The ERA approved this current version of the Charter on 29/06/2012. The version before this was revised in September 2011. The previous version of the Charter was approved by the Authority on 28 December 2011. The next review of the Charter was due to be undertaken and submitted to the Authority for approval by 20 December 2013. This is outside of the audit period that this obligation was relevant for. However, the licensee has elected to maintain the document for the benefit of its customers and to meet the requirements and obligations it has under the new Act. 	<ul style="list-style-type: none"> Interviews with licensee staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 Correspondence with ERA 	1
The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence. <ol style="list-style-type: none"> By prominently displaying it in those parts of the licensee's offices to which customers regularly have access By providing a copy, upon request, and at no charge, to the customer; and By sending a current copy, or a summary document approved by the Authority, to all customers at least once in every 	2012/20	Schedule 3 Clause 2.5	3	<ul style="list-style-type: none"> The Customer Service Charter was not displayed in the licensee's reception at the time of the audit. However, we note that this obligation ended on 18 November 2013. The previous operational audit in 2012 noted that the Customer Service Charter was prominently displayed in the office at the time of the audit. As noted above, the licensee has elected to maintain a Customer Service Charter for the benefit of its customers. The licensee provides a copy of the Customer Service Charter, upon request, and at no charge, to the customer. The current version of the 	<ul style="list-style-type: none"> Interviews with licensee staff Access to licensee's website Inspection of licensee's offices Customer Service Charter, September 2011 Customer Service Charter, June 2012 Correspondence with ERA Quantum Assurance, Gascoyne Water Cooperative Limited, 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
three year period or as agreed with the Authority.				<p>Charter is available on the licensee's website.</p> <ul style="list-style-type: none"> The previous audit report confirmed that all members have received a hard copy of the amended Customer Service Charter (amended and approved by the Authority on 28 December 2011) on 16 January 2012 as recorded in GWC's Service Interruption Notification Register and GWC's Compliance and Reporting Schedule 2012. Therefore, the Charter did not need to be sent out to customers until 16 January 2015, outside the period that compliance with this obligation was required under the previous operating licence. 	Operational Audit and Asset Management System Review Report, July 2013	
The licensee must review its Customer Service Charter at least once in every three year period.	2012/21	Schedule 3 Clause 2.6	4	<ul style="list-style-type: none"> The current version of the Customer Service Charter was revised in June 2012. The ERA approved this version of the Charter on 29/06/2012. Therefore, a review of the Charter was not required until June 2015, outside the period that this obligation was in place. The licensee has complied with this obligation during the audit period for which it was relevant. 	<ul style="list-style-type: none"> Customer Service Charter, September 2011 Customer Service Charter, June 2012 Correspondence with ERA 	1
The licensee must provide its services consistent with its Customer Service Charter.	2012/22	Schedule 3 Clause 2.7	3	<ul style="list-style-type: none"> The 2012 review and revision of the Customer Service Charter reflected the relevant conditions outlined in the licence. During the period June 2012 to November 2013, when the changes in legislation made the requirements related to the Customer Service Charter redundant, the licensee operated with the intention to provide services as 	<ul style="list-style-type: none"> Interviews with licensee staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 Correspondence with ERA 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> outlined in the licence and in the Customer Service Charter. ▪ During the period within the current audit timeframe when the licensee was required to implement a Customer Service Charter, processes were in place to guide the operation of the licensee's irrigation and non-potable services to meet the requirements outlined in the Customer Service Charter and licence. ▪ We observed no instances where the licensee provided its services inconsistent with the Customer Service Charter. 	<ul style="list-style-type: none"> ▪ Review of licensee processes and other documentation for managing licensed water service 	
<p>The licensee must establish customer consultation processes as set out in Schedule 3.</p>	<p>2012/23</p>	<p>Clause 8</p>	<p>4</p>	<ul style="list-style-type: none"> ▪ The licensee's Board meets each month. The members of the Board are also customers of the licensee. ▪ The GWAMCO (the asset owner of most of the assets within the licensee's operating area) has a separate Board that meets quarterly or more regularly if needed. This Board is also made up of customers that are serviced by the licensee. ▪ The licensee also has a separate disputes panel that customers can escalate their complaints to. The panel is made up from elected customers. ▪ The AGM is held towards the end of each year and is attended by customers as well as the customers on the elected Board. ▪ We reviewed the minutes of the AGMs held during the audit period and observed that the meetings covered season opening and closing dates, tariff 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of AGM agendas and meeting minutes ▪ Copies of licensee newsletter 	<p>1</p>

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				information and scheme operation information. <ul style="list-style-type: none"> ▪ The licensee issues a newsletter to its customers at least once a year. We confirmed that the licensee issued newsletters to its customers in July 2013, December 2013, February 2014, April 2014, July 2014, September 2014 and May 2015. ▪ The newsletter is sent to customers and recent newsletters are also available to be downloaded from the licensee's website. ▪ As well as the regular newsletter, the licensee also issues other published information to customers, as required. These include cyclone warning notice, post-cyclone updates and member update information ▪ We reviewed the licensee's newsletters from within the audit period and observed that it includes sections on general news, allocations, water trading, dates for the AGM and other meetings, information on the Board, and contact details for the licensee. ▪ Based on our findings at the audit, we consider that the above items meet all three of the requirements of Clause 4.1(b) of Schedule 3 of the Licence (Version 2). 		
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.	2012/24	Schedule 3 Clause 4.1	3	<ul style="list-style-type: none"> ▪ As noted above, we consider that the licensee has met the requirements of Schedule 3, Clause 4.1. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of AGM meeting minutes ▪ Copies of licensee newsletter 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The licence must consult the Authority on the type and extent of consultation to be adopted by the licensee.	2012/25	Schedule 3 Clause 4.2	4	<ul style="list-style-type: none"> There has been no change to the type and extent of the customer consultation that has been adopted by the licensee. 	<ul style="list-style-type: none"> Interviews with licensee staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 	1
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.	2012/26	Schedule 3 Clause 4.3	4	<ul style="list-style-type: none"> The licensee was not requested by the Authority to establish other forums or consultations. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NR
The licensee must hold season opening and closing public meetings, and the agenda must cover at least season opening and closing conditions, tariffs and scheme operation.	2012/27	Schedule 3 Clause 4.4 Irrigation Licensee	3	<ul style="list-style-type: none"> The licensee operates a full 12 month operating season from 1 January to 31 December. The AGM normally takes place towards the end of each year. We reviewed the agendas from the AGMs held on 12 November 2013 and 26 February 2015 and confirmed that each AGM included addressing items of 'season opening and closing conditions', 'tariffs' and 'scheme operation'. The 2014 AGM took place late (In February 2015) to allow the change to the Rules of Gascoyne Water Cooperative Limited to be completed and allow members to vote under the new Rules. 	<ul style="list-style-type: none"> Interviews with licensee staff AGM Agendas and minutes 	1
The licensee must conduct a customer survey if directed to by the Authority.	2012/32	Schedule 3 Clause 6	4	<ul style="list-style-type: none"> The licensee advised that is has not been directed by the Authority to undertake a customer survey in the audit period. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	-	Schedule 6 Clause 2.1	4	<ul style="list-style-type: none"> The conditions for connections is set out in Section 6 of the licensee's Customer Service Charter. Conditions for connection are also detailed in the licensee's Rules of Gascoyne Water Cooperative Limited that sets out all of the licensee's and customer's obligations. This includes sections on Qualification for Membership (Section 22), Supply Purchase (Section 68) and Preconditions to Supply of Water (Section 70). 	<ul style="list-style-type: none"> Interviews with licensee staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 Rules of Gascoyne Water Cooperative Limited 	1
The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	-	Schedule 6 Clause 2.2	4	<ul style="list-style-type: none"> As noted above, Section 6 of the licensee's current Customer Service Charter sets out the conditions for connection. Conditions for connection are also detailed in the licensee's Rules of Gascoyne Water Cooperative that sets out all of the licensee's rules. Generally Board approval for new members is not required if the customer meets the member qualifying conditions. New members have to provide estimates of how much water they expect to need to be delivered to them. The licensee has a procedures for new member connections to the pipeline and new meter installation on member subdivisions within its Asset Management System. 	<ul style="list-style-type: none"> Interviews with licensee staff Customer Service Charter, September 2011 Customer Service Charter, June 2012 Rules of Gascoyne Water Cooperative Limited Plan of Operating Area 	1
The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	-	Schedule 6 Clause 2.3	4	<ul style="list-style-type: none"> Under the Rules of Gascoyne Water Cooperative Limited, the licensee can cancel or suspend a customer's membership of the Cooperative and discontinue a service. The Rules also include the steps and possible reasons 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				for customers wanting to cease membership. However, there have been no instances of the water service being discontinued due to it being not commercially viable. Therefore, this obligation cannot be rated.		
Fees (Clause 4)						
The licensee must pay the applicable fees in accordance with the Regulations.	155	Clause 4	5	The licensee has not been required to pay any applicable fees (as per Schedule 4m of the Water Service Regulation 2013) during the audit period. Therefore, this obligation cannot be rated.	Interviews with licensee staff Correspondence with the ERA	NR
Compliance (Clause 5)						
Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	156	Clause 5.1	4	The licensee lists legislation and regulations applicable to the operation of their organisation and provision of the services in Section 2.3 of the licensee's Asset Management Plan. Some of the information in Section 2.3 of the licensee's AMP does not reflect the current legislative environment and will need to be updated. The licensee's General Manager is ultimately responsible for the organisation's asset management activities and any revisions or exemptions as well as keeping staff informed of these changes. We confirmed during the course of the audit that the licensee has complied with all the legislative obligations that apply to it.	Interviews with licensee staff Asset Management Plan, September 2012 Annual compliance reports This audit report	1
Water Services Act 2012						

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>Compliance with Code of Practice made by the Minister</p> <p>The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.</p>	10	Clause 5.2	4	<ul style="list-style-type: none"> No code(s) of practice have been made by the Minister that apply to the licensee. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NA
<p>Compliance with Code of Conduct made by Authority</p> <p>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.</p>	11	Clause 5.3	4	<ul style="list-style-type: none"> Obligations 92 – 153 in this table relate to specific requirements of the licensee relating to the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i>. Under Section 3 of the <i>Water Services Act 2012</i>, a customer, of a licensee, means 'a person to whom water services are provided by the licensee or who is entitled to the provision of water services by the licensee, other than a person who is a member of the licensee. We confirmed at the audit that the licensee does not have any direct non-member customers. Therefore, the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i> does not apply to the licensee. Water is provided by the licensee through its assets to a number of non-irrigator customers who take water for stock and garden use only and who typically have less than 6 ha lots. However, these customers have a contract with Coral Coast Water Pty Ltd and are not in contract with the licensee. The licensee does not supply water to anyone who is not a member of the cooperative. Coral Coast Water is a member customer of licensee, although it is also a subsidiary company of 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				licensee, and supplies water to its own customers who are not members. – As a result, this obligation is not applicable to the licensee.		
Provision of a water service ceasing — duty to leave system in safe condition 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.	13	Section 36	4	<ul style="list-style-type: none"> The licensee advised that it has not ceased to provide a water service during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Interruption of water services The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	16	Section 77(3)	4	<ul style="list-style-type: none"> The licensee has in place appropriate asset management practices to minimise the extent or duration of any interruption of its water services. We discuss asset management practices further in the second section of this report. If the licensee needs to initiate a planned shutdown within the irrigation system, it issues notices to growers. The licensee has a fax system to send out notices and also uses email and SMS to notify customers of interruptions. Copies of the notices are kept on file. The licensee provides at least five days' notice of a planned interruption. This is specified in Section 3.5 of the Customer Service Charter. Section 3.6 of the Charter informs customers that the licensee will endeavour to contact them within six hours of an unplanned shutdown to advise them of the reason and the expected duration. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of asset management system Annual Compliance Reports 2012/13, 2013/14 Notices of shutdowns 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> ▪ The impact of shutdowns is minimised to some degree as the licensee’s water service is used to fill customer water tanks. The customers use the water in the tanks for irrigating their properties. ▪ However, the licensee does not have many planned interruptions. Generally if a customer requires a new connection to the pipeline, a planned interruption is needed to complete the connection. However, there has only been one new connection since the pipeline was constructed in 2011. This connection was installed in March 2015. The licensee completed this new connection during a period when the pipeline was already shutdown for a Water Corporation interruption. ▪ We confirmed that the licensee did not have any planned shutdowns of the system in 2013, 2014 or 2015. ▪ Water Corporation own and operate the southern borefield that supplies the licensee. There are issues with Water Corporation not providing much notice of interruptions to their supply. However, if Water Corporation interrupt the supply to the pipeline, the licensee treats this as an unplanned incident and, therefore, it is not covered under this performance measure. ▪ The licensee provides customers with as much notice as it can when Water Corporation interrupt its supply. ▪ We reviewed a sample of notices and confirmed that they all related to unplanned interruptions. We confirmed that the new connection that the licensee has connected to the pipeline 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>in March 2015 was made during a time when Water Corporation had interrupted the supply from the southern borefield and an unplanned interruption took place.</p> <ul style="list-style-type: none"> We confirmed that the licensee has not received any complaints during the audit period related to customers not being provided with sufficient notice of a planned shutdown. Based on our observations at audit, we consider that the licensee takes reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for. 		
<p>Construction etc. over or in vicinity of water service works of licensee</p> <p>If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.</p>	20	Section 90(7)	5	<ul style="list-style-type: none"> The licensee issued one compliance notices under the Act during the audit period related to construction in the vicinity of water service works. The licensee issued a notice regarding construction in the vicinity of water service works of GWC to a customer on 7 August 2014. The matter related to a new fence that the customer had installed which blocked access to the licensee's meter. The licensee requested that the customer either remove the structure or to install an access gate and provide a key to the licensee to allow so operational field staff to have clear access to the water meter. The licensee specified in the notice that the amendments needed to be completed by 1 October 2014. A follow-up letter was issued by the licensee on 7 October 2014, confirming the details of a telephone conversation between the licensee and the customer and extending the date for the 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with customer 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				amendments to be made to 31 December 2014. <ul style="list-style-type: none"> Based on our observations at audit, we consider that the licensee has, to the extent practicable, consulted with persons undertaking construction work impacting on the licensee's water service works. 		
Disconnection or reduction in rate of flow etc. The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	21	Section 95(3)	2	<ul style="list-style-type: none"> The licensee does not provide water supply services to dwellings. However, although the licensee provides a non-potable supply to irrigation customers, the majority of the plantations have dwellings which are not serviced by the Water Corporation town water supply and which use the non-potable water supply in their storage tanks as their water supply. Given that the licensee does not supply drinking water and specifies that the water supplied is 'to be used for irrigation, garden and stock and commercial use only', we do consider that this obligation is not applicable to the licensee. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Fire hydrants 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.	22	Section 96(1)	4	<ul style="list-style-type: none"> The new irrigation pipeline was constructed with hydrants which allow FESA to be able to take water if they need to. The hydrants are not metered which means that the licensee is not able to identify when water has been taken or how much has been taken. 	<ul style="list-style-type: none"> Interviews with licensee staff Site inspection of pipeline 	1
Fire hydrants	23	Section 96(5)	5	<ul style="list-style-type: none"> Refer to observations made for Obligation 22 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
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.				<ul style="list-style-type: none"> The licensee has not received any requests from FESA or the local government to install, remove, repair or maintain a fire hydrant during the audit period. Therefore, this obligation is not able to be rated. 		
<p>Compliance Notices</p> <p>The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).</p>	28	Section 119(2)	4	<ul style="list-style-type: none"> As noted above under Obligation 20, the licensee has issued one compliance notices under the Act during the audit period related to construction in the vicinity of water service works. The licensee issued a notice regarding construction in the vicinity of water service works of GWC to a customer on 7 August 2014. The matter related to a new fence that the customer had installed which blocked access to the licensee's meter. The licensee requested that the customer either remove the structure or to install an access gate and provide a key to the licensee to allow so operational field staff to have clear access to the water meter. The licensee specified in the notice that the amendments needed to be completed by 1 October 2014. A follow-up letter was issued by the licensee on 7 October 2014, confirming the details of a telephone conversation between the licensee and the customer and extending the date for the amendments to be made to 31 December 2014. The issues associated with this notice relate to Section 90 of the Water Services Act 2012. However, we note that the matters set out in section 119(1) do not include the requirements under Section 90 of the 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with customer 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>Act, even though compliance with regard to Sections 89 and 91 are included.</p> <ul style="list-style-type: none"> We are unsure whether this is an oversight in the Act or whether compliance notices related to Section 90 do not have to comply with the requirements of Section 119(1). Based on our observations, we consider that the licensee has complied with the requirements that it would be expected to comply with in regard to the notice it issued during the audit period. The licensee has a procedure for issuing compliance notices in its Policies and Procedures Manual. 		
<p>Review of decision relating to giving compliance notices</p> <p>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.</p>	29	Section 122(2)	4	<ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act that resulted in an application to the Tribunal. Therefore, this obligation is not rateable for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
<p>Supplying groups of dwellings</p> <p>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.</p>	30	Section 125(2)	4	<ul style="list-style-type: none"> The licensee does not supply dwellings and does not apportion any of its fees. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
<p>Prohibition on dealings in land</p> <p>If the licensee has previously lodged a memorial with the Registrar, the licensee</p>	31	Section 128(4)	4	<ul style="list-style-type: none"> The licensee advised that it has not lodged any memorials with the Registrar 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.				during the audit period. Therefore this obligation is not able to be rated.		
<p>Reading meters etc. and routine inspection and maintenance</p> <p>If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.</p>	32	Section 129(5)	4	<ul style="list-style-type: none"> ▪ Requirements for meter reading, inspections and routine maintenance are conveyed to customers in the Customer Service Charter (Section 2 – Service Delivery). ▪ The licensee also has a Customer Service Standards & Water Services Policy Handbook which sets out all of the policies and procedures related to interaction with customers. ▪ The handbook includes a Reading meters, routine inspection and maintenance policy/procedure. This notes that 'If a routine inspection or maintenance is likely to cause disruption to the occupants of a place, at least 48 hours' notice of the proposed entry is required to be given to the occupier of the place, unless the occupier agrees otherwise'. Therefore, the licensee is aware of its obligations under the Act ▪ The licensee also has rights under the Water Agencies (Powers) Act 1984 to inspect land or infrastructure that may require the licensee to access a customer's property. ▪ The licensee has some easements for access to meters although there is a small number of battle axe blocks where access can only be gained through another customer's property. The majority of the irrigation pipeline is in the road reserve, with the customer meters 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ GWC Customer Service Standards & Water Services Policy Handbook ▪ Rules of Gascoyne Water Cooperative Limited ▪ GWC Customer Service Charter, June 2012 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>just inside the boundary of the customer's property.</p> <ul style="list-style-type: none"> However, the licensee considers that it has not had to provide 48 hours' notice entry for routine inspection and maintenance during the audit period. Any entry or access times would be expected to be agreed with the occupier if required. Meter reads are completed on the last day of the month and customers are aware of this and their obligations under the Rules of Gascoyne Water Cooperative Limited. 		
<p>Ancillary works powers</p> <p>If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.</p>	33	Section 139(3)	4	<ul style="list-style-type: none"> The licensee is aware of its obligation to provide affected parties notice if it removes or erects a fence or gate. However, as the irrigation assets are mostly located on easements, this obligation generally does not apply to the licensee and has not been carried out during the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
<p>Special provisions applicable to road works</p> <p>In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.</p>	34	Section 141(1)	4	<ul style="list-style-type: none"> During the audit period the licensee has not undertaken works in the State controlled main roads. If the licensee was required to provide a new service, it would utilise an underground road drilling approach, meaning that the road surface would not be affected by the construction activities. The licensee has not undertaken any road work that involves breaking the surface of the road or that would cause major obstruction to road traffic during the audit period Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Prerequisites to provision of major works 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.	35	Sections 142	4	<ul style="list-style-type: none"> The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Asset Management Plan 	NR
Licensee to prepare plans and publish and give notice of major works 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.	36	Sections 143 (2)	4	<ul style="list-style-type: none"> The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Licensee to prepare plans and publish and give notice of major works The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	37	Sections 143 (3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Objections and submissions The licensee must have regard to an objection or submission lodged within the relevant period.	38	Sections 144(3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Licensee may amend proposal If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	39	Section 145(2)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Powers of Minister in respect of proposal	40	Section 147(3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
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).				during the audit period. Therefore, this obligation is not able to be rated.		
Powers of Minister in respect of proposal If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	41	Section 147(4)	4	<ul style="list-style-type: none"> The licensee' has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Licensee to prepare plans and give notice of general works A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	42	Section 151(1)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Licensee to prepare plans and give notice of general works The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	43	Section 151(2)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Asset Management Plan 	NR
Objections and submissions The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	44	Section 152(3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Licensee may amend proposal If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice	45	Section 153(3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
of the alterations to any person who is likely to be adversely affected by those alterations.				during the audit period. Therefore, this obligation is not able to be rated.		
Taking of interest in land for purposes of licensee						
On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	46	Section 166(5)	4	<ul style="list-style-type: none"> The licensee has not been required to take an interest in land under the Act. Therefore, this clause is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Any costs incurred in taking an interest in land are to be paid by the licensee.	47	Section 166(6)	4	<ul style="list-style-type: none"> The licensee has not been required to take an interest in land under the Act. Therefore, this clause is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Sale of land						
The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the Planning and Development Act 2005, unless the Minister permits the licensee to do so.	48	Section 170	4	<ul style="list-style-type: none"> The licensee has not been required to take an interest in land under the Act. Therefore, this clause is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Entry with consent or under notice or warrant						
In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	49	Section 173(4)	4	<ul style="list-style-type: none"> Section 3 of the licensee's Customer Service Charter (Asset Management) outlines the licensee's powers in relation to entry of property. The licensee also has a Customer Service Standards & Water Services Policy Handbook which sets out all of the policies and procedures related to interaction with customers. The handbook includes a Reading Meters, Routine Inspection and Maintenance policy/procedure. This notes that 'If a routine inspection or maintenance is likely to cause disruption to the occupants of a place, at least 48 	<ul style="list-style-type: none"> Interviews with licensee staff GWC Customer Service Standards & Water Services Policy Handbook Rules of Gascoyne Water Cooperative Limited GWC Customer Service Charter, June 2012 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>hours' notice of the proposed entry is required to be given to the occupier of the place, unless the occupier agrees otherwise'. Additional requirements related to entry to a customer's property are also included in the Interruption to Water Services policy/procedure. Therefore, the licensee is aware of its obligations related to powers of entry under the Act.</p> <ul style="list-style-type: none"> ▪ The licensee also has rights under the Water Agencies (Powers) Act 1984 to inspect land or infrastructure that may require the licensee to access a customer's property. ▪ The licensee has some easements for access to meters although there is a small number of battle axe blocks where access can only be gained through another customer's property. The majority of the irrigation pipeline is in the road reserve, with the customer meters just inside the boundary of the customer's property. ▪ However, the licensee considers that it has not had to provide 48 hours' notice of proposed entry to a place to the occupier or owner during the audit period. Any entry or access times would be expected to be agreed with the occupier if required. Meter reads are completed on the last day of the month and customers are aware of this and their obligations under the Rules of Gascoyne Water Cooperative Limited. ▪ As a result, we consider that this obligation is not able to be rated. 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>Notice of entry</p> <p>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.</p>	50	Section 174(1)	4	<ul style="list-style-type: none"> ▪ Refer to previous obligation observations. ▪ The Interruptions to Water Services policy/procedure notes 'Notice of a proposed entry must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out'. ▪ However, the licensee considers that it has not had to provide 48 hours' notice of proposed entry to a place to the occupier or owner during the audit period. Any entry or access times would be expected to be agreed with the occupier if required. Meter reads are completed on the last day of the month and customers are aware of this and their obligations under the Rules of Gascoyne Water Cooperative Limited. ▪ As a result, we consider that this obligation is not able to be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ GWC Customer Service Standards & Water Services Policy Handbook ▪ Rules of Gascoyne Water Cooperative Limited ▪ GWC Customer Service Charter, June 2012 	NR
<p>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.</p>	51	Section 174(3)	4	<ul style="list-style-type: none"> ▪ Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. In addition, the licensee has rights under the Water Agencies (Powers) Act 1984 to inspect land or infrastructure that may require the licensee to access a customer's property. ▪ The Interruptions to Water Services policy/procedure notes 'Even if in a particular instance a representative of the GWC may enter a place under the Act without having to give notice of proposed entry, the GWC must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier'. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ GWC Customer Service Standards & Water Services Policy Handbook ▪ Rules of Gascoyne Water Cooperative Limited ▪ GWC Customer Service Charter, June 2012 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> However, the licensee considers that it has not had to provide notice of proposed entry to a place to the occupier or owner during the audit period. Any entry or access times would be expected to be agreed with the occupier if required. Meter reads are completed on the last day of the month and customers are aware of this and their obligations under the Rules of Gascoyne Water Cooperative Limited. As a result, we consider that this obligation is not able to be rated. 		
Rights of occupier of dwelling If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	52	Section 175(2)	4	<ul style="list-style-type: none"> Although the licensee may need to access customer's property from time-to-time to access the irrigation system assets, it does not need to enter customer dwellings, based on the Water Services Act 2012's definition of a 'dwelling'. Therefore, this obligation is not applicable to the licensee. 	<ul style="list-style-type: none"> Interviews with licensee staff GWC Customer Service Standards & Water Services Policy Handbook Rules of Gascoyne Water Cooperative Limited GWC Customer Service Charter, June 2012 	NA
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.	53	Section 175(5)	4	<ul style="list-style-type: none"> Although the licensee may need to access customer's property from time-to-time to access the irrigation system assets, it does not need to enter customer dwellings, based on the Water Services Act 2012's definition of a 'dwelling'. Therefore, this obligation is not applicable to the licensee. 	<ul style="list-style-type: none"> Interviews with licensee staff GWC Customer Service Standards & Water Services Policy Handbook Rules of Gascoyne Water Cooperative Limited GWC Customer Service Charter, June 2012 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>When authorised person must leave etc.</p> <p>If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.</p>	54	Section 176(1)	4	<ul style="list-style-type: none"> Section 3 of the licensee's Customer Service Charter (Asset Management) outlines the licensee's powers in relation to entry of property. The licensee also has a Customer Service Standards & Water Services Policy Handbook which sets out all of the policies and procedures related to interaction with customers. The Interruptions to Water Service policy/procedure sets out the requirements related to Notice of Entry/Works However, no incidents could be recalled from the audit period where the owner or occupier has refused or withdrawn their consent and the licensee's staff have been required to leave the premises as soon as practicable after being notified. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff GWC Customer Service Standards & Water Services Policy Handbook Rules of Gascoyne Water Cooperative Limited GWC Customer Service Charter, June 2012 	NR
<p>The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act until they are not able to do so.</p>	55	Section 176(3)	4	<ul style="list-style-type: none"> Section 3 of the licensee's Customer Service Charter (Asset Management) outlines the licensee's powers in relation to entry of property. The licensee's requirements are in accordance with the Act and staff are required to produce their certificate of authority if asked to do so. The Interruptions to Water Services policy/procedure notes 'Where the GWC personnel are requested to produce evidence of authority and are unable to do so then they are to leave the place, unless the owner or occupier agrees otherwise'. However, the licensee does not recall any occasions where staff were required 	<ul style="list-style-type: none"> Interviews with licensee staff GWC Customer Service Standards & Water Services Policy Handbook Rules of Gascoyne Water Cooperative Limited GWC Customer Service Charter, June 2012 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				to produce their certificate of authority and no evidence of occasions when this has happened are recorded. The licensee only serves a very small number of customers and they know the licensees staff. Therefore, this obligation has been rated as Not Rated.		
If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	56	Section 176(4)	4	<ul style="list-style-type: none"> Refer to the observations for Obligation 55. There have been no known cases during the audit period where staff have been requested to produce evidence of authority for that entry by the owner or occupier and not been able to provide the evidence. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff GWC Customer Service Standards & Water Services Policy Handbook Rules of Gascoyne Water Cooperative Limited GWC Customer Service Charter, June 2012 	NR
Actions of authorised persons and others 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.	57	Section 181	5	<ul style="list-style-type: none"> Refer to the observations for Obligation 55. There have been no known cases during the audit period where staff have had to comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff GWC Customer Service Standards & Water Services Policy Handbook Rules of Gascoyne Water Cooperative Limited GWC Customer Service Charter, June 2012 	NR
Contents of application If the licensee applies for a warrant, the application must contain the prescribed information.	58	Section 186	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
How application to be made						
If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	59	Section 187(1) – (3)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Execution of warrant						
Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	60	Section 190(4)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	61	Section 190(5)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Designation of inspectors and compliance officers						
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.	62	Section 210(5)	4	<ul style="list-style-type: none"> The licensee has not designated any person as an inspector or compliance officer. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Liability of certain persons for damage caused in exercise of powers						
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.	63	Section 218(2)	5	<ul style="list-style-type: none"> The licensee has not exercised a works power of entry under this act during the audit period. Therefore this obligation is not able to be rated. The licensee has a strong customer focus and strong connection with its customers which provides assurance that it would comply with this obligation if tested. The licensee only has 275 customers and staff are familiar with the customers and vice versa. 	<ul style="list-style-type: none"> Interviews with licensee staff GWC Customer Service Standards & Water Services Policy Handbook 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> A specific policy/procedure for Access to Meters is included in the Customer Service Standards & Water Services Policy Handbook. No customer complaints relating to obstruction, damage, harm or inconvenience have been received during the audit period. 		
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.	64	Section 218(3)	4	<ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Water Services Regulations 2013						
Altering position of service infrastructure in roads 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.	74	Regulation 60(2)	4	<ul style="list-style-type: none"> The licensee has not exercised a works power in a road during the audit period. This obligation is generally not relevant to a water service provider providing irrigation services. Therefore, this obligation is considered to not be applicable to the licensee. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Roads broken up to be reinstated If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	75	Regulation 63	4	<ul style="list-style-type: none"> The licensee has not needed to open or break up the surface of a road in its operations to provide its irrigation and non-potable water services during the audit period. Generally the licensee would expect to use underground drilling techniques to add any new pipe connections and these would not be expected to interfere with the road surface. Therefore, this obligation is considered to not be applicable to the licensee. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>Compliance Notices</p> <p>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.</p>	89	Regulation 85	4	<ul style="list-style-type: none"> ▪ The licensee has a policy/procedure related to compliance notices included in its Customer Service Standards & Water Services Policy Handbook. This sets out all of the requirements and information that it needs to include on the notice. ▪ The licensee has issued one compliance notices under the Act during the audit period related to construction in the vicinity of water service works. ▪ The licensee issued a notice regarding construction in the vicinity of water service works of GWC to a customer on 7 August 2014. The matter related to a new fence that the customer had installed which blocked access to the licensee's meter. The licensee requested that the customer either remove the structure or to install an access gate and provide a key to the licensee to allow so operational field staff to have clear access to the water meter. The licensee specified in the notice that the amendments needed to be completed by 1 October 2014. ▪ A follow-up letter was issued by the licensee on 7 October 2014, confirming the details of a telephone conversation between the licensee and the customer and extending the date for the amendments to be made to 31 December 2014. ▪ The issues associated with this notice relate to Section 90 of the Water Services Act 2012. ▪ Based on our observations during the audit of the correspondence between the licensee and the customer, we 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Correspondence with customers ▪ GWC Customer Service Standards & Water Services Policy Handbook 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				consider that the licensee has complied with the requirements associated with this obligation when issuing notices.		
Water Services Code of Conduct (Customer Service Standards) 2013						
Information about connections The licensee must have written information for customers about the specified matters.	92	Clause 7	4	<ul style="list-style-type: none"> ▪ Under Section 3 of the <i>Water Services Act 2012</i>, a customer, of a licensee, means 'a person to whom water services are provided by the licensee or who is entitled to the provision of water services by the licensee, other than a person who is a member of the licensee. ▪ Although this obligation was included in the Audit Plan approved by the ERA, we confirmed at the audit that the licensee does not have any direct non-member customers. ▪ Water is provided by the licensee through its assets to a number of non-irrigator customers who take water for stock and garden use only and who typically have less than 6 ha lots. However, these customers have a contract with Coral Coast Water Pty Ltd and are not in contract with the licensee. The licensee does not supply water to anyone who is not a member of the cooperative. Coral Coast Water is a member customer of the licensee, although it is also a subsidiary company of licensee, and supplies water to its own customers who are not members. ▪ As a result, this obligation is not applicable to the licensee. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
Minimum performance standards for standard water supply connections	93	Clause 8	4	<ul style="list-style-type: none"> ▪ Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.</p>						
<p>Bills other than for quantities supplied, discharged</p>						
<p>The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.</p>	94	Clause 9	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
<p>Bills for quantities supplied, discharged</p>						
<p>The licensee must issue a bill for usage to each customer at least once in every 6 month period.</p>	95	Clauses 10(2)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	Interviews with licensee staff	NA
<p>The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.</p>	96	Clauses 10(3)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	Interviews with licensee staff	NA
<p>If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged.</p>	97	Clause 10(4)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	Interviews with licensee staff	NA
<p>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.</p>	98	Clause 10(5)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	Interviews with licensee staff	NA
<p>Sending bills</p>						
<p>The licensee must send a bill to the address of the place where the water service is provided or, if the customer</p>	99	Clause 11	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	Interviews with licensee staff	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
nominates another address, to the nominated address.						
Estimates: licensees' obligations						
If a bill is based on an estimate, the licensee must tell the customer on request the basis of the estimate and the reason for the estimate.	103	Clause 13(1)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
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.	104	Clause 13(2)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Requested meter readings, revised bills: licensee's obligations						
The licensee must provide to the customer on request a meter reading and a bill in in the prescribed circumstances.	105	Clause 14(1)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Leaks						
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.	106	Clause 15	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Undercharging in bills						
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.	107	Clause 16(2)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
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.	108	Clause 16(3)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must not charge interest or late payment fees on an undercharged amount.	109	Clause 16(4)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.	110	Clause 16(5)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Overcharging in bills If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount.	111	Clause 17(1)	4	Refer to the observations made under Obligation 92.	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.	112	Clause 17(2)	4	Refer to the observations made under Obligation 92.	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Review of bills The licensee must review a bill on the customer's request.	113	Clause 18(1)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The license must have a written procedure for the review of a bill on the customer's request.	114	Clause 18(2)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The review procedure in clause 18(2) must include the specified information and be publicly available.	115	Clauses 18(3) & (6)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act.	116	Clause 18(4)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.	117	Clause 18(5)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
When payment due if not set under regulations The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.	118	Clause 20	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Payment methods The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer. The prescribed methods are: <ol style="list-style-type: none"> Direct debit Centrepay Internet 	119	Clause 21(1)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
d) Telephone e) Post						
The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered.	120	Clause 21(2)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Consent for direct debits 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.	121	Clause 22	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Payment in advance The licensee must accept payment in advance from a customer on a customer's request.	122	Clause 23(1)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Free redirection in absence, illness The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	123	Clause 24	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Assistance for customers experiencing payment difficulties The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is assessed by the licensee as experiencing payment difficulties.	124	Clause 25	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Financial hardship policy						
The licensee must have a written policy in relation to financial hardship that is approved by the Authority.	125	Clauses 26(1) & (2)	4	<ul style="list-style-type: none"> The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 22 July 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NA
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.	126	Clause 26(3)	4	<ul style="list-style-type: none"> The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 22 July 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NA
If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.	127	Clause 26(4)	4	<ul style="list-style-type: none"> The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 22 July 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NA
The licensee's financial hardship policy must be publicly available.	128	Clause 26(5)	4	<ul style="list-style-type: none"> The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 22 July 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NA
The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.	129	Clauses 26(6)	4	<ul style="list-style-type: none"> The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 22 July 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NA
Assistance for customers experiencing financial hardship						
The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.	130	Clause 27(2)	4	<ul style="list-style-type: none"> The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 22 July 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
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.	131	Clause 27(3)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
<p>Matters relating to customers experiencing payment difficulties or financial hardship</p> <p>Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.</p>	132	Clause 28(1)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.	133	Clauses 28(4) & (5)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interview with licensee staff 	NA
<p>No debt collection in certain cases</p> <p>The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment difficulties or who is being assessed for financial hardship.</p>	134	Clause 29	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
<p>Water flow not to be reduced below minimum rate</p> <p>The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.</p>	139	Clause 33	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Minimum performance standards for restoration of water supply						
The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.	142	Clauses 34(4)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.	144	Clauses 34(6)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Procedure for dealing with complaints about water services						
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.	145	Clauses 35(1)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
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).	146	Clause 35(2)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.	147	Clauses 35(3)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee's complaints procedure must inform the customer that they <ul style="list-style-type: none"> do not have to use the licensee's complaints procedure, 	148	Clauses 35(4)	4	<ul style="list-style-type: none"> Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<ul style="list-style-type: none"> ▪ provide details of procedures under the Act, and ▪ set out the costs and benefits to the customer if they use the complaint resolution procedure before or instead of the procedures under the Act. 						
The licensee's complaints procedure must be publicly available.	149	Clauses 35(6)	4	<ul style="list-style-type: none"> ▪ Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
Services to be provided without charge The licensee must provide a customer with the specified services on request and at no charge.	150	Clause 36(1)	4	<ul style="list-style-type: none"> ▪ Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
The licensee must make available to each customer the customer's personal account information.	152	Clause 36(2)	4	<ul style="list-style-type: none"> ▪ Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
Information to be publicly available The licensee must make the prescribed information publicly available.	153	Clause 37(1)	4	<ul style="list-style-type: none"> ▪ Refer to the observations made under Obligation 92. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	157	Clause 5.2	4	<ul style="list-style-type: none"> ▪ Refer to observations detailed in Compliance Manual Reference 10. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	158	Clause 5.3	4	<ul style="list-style-type: none"> ▪ Refer to observations detailed in Compliance Manual Reference 11. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NA
The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	159	Clause 5.4	4	<ul style="list-style-type: none"> ▪ The licensee has not had any directions from the Authority in relation to a breach of applicable legislation and therefore this obligation is not rateable. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Correspondence with the ERA 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Accounting Records (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.	160	Licence Clause 12	4	<ul style="list-style-type: none"> ▪ Accounting records are prepared in accordance with AASB standards. ▪ Under the requirements of the Cooperative Act 2009, the licensee is required to conduct an annual audit of its finances and make the audited Statement of Accounts available to all member customers. ▪ The financial statement includes a sign-off from the independent auditor that the financial report complies with the Australian Accounting Standards. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ 2013/2014 annual reports ▪ Review of Annual Budget 2014/15 	1
Individual Performance Standards (Clause 13)						
The licensee must comply with any individual performance standards prescribed by the Authority.	161	Licence Clause 13.1	5	<ul style="list-style-type: none"> ▪ The individual performance standards that the licensee must comply with have not changed under the new <i>Water Services Act 2012</i> and are the same as were in place under the <i>Water Services Licensing Act 1995</i>. The licensee has performance standards related to: <ul style="list-style-type: none"> – Providing water suitable for irrigation purposes – Providing at least five business days' notice of any planned service interruption – Providing an annual notification that customers are provided with a non-potable water supply ▪ The standards that the licensee is required to meet in relation to these requirements are: <ul style="list-style-type: none"> – Providing water quality of <1,200 mg/L TDS 	<ul style="list-style-type: none"> ▪ Interviews with license staff ▪ Customer Service Charter, June 2012 ▪ AGM Agenda ▪ Copies of Newsletters ▪ Monthly Customer Invoices ▪ Water Quality Annual Reports 2013, 2014 ▪ Annual Performance Reports (2013, 2014) ▪ Complaints Register ▪ Rules of Gascoyne Water Cooperative ▪ Grower Notices with shutdown details 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> - Providing >90% of customers with five days' notice of a planned interruption in any year. - Providing 100% of customers with an annual notice that the water provided is not suitable for drinking. ▪ The processes for managing these performance targets is outlined for each standard in the observations made for Obligation 2012/7. ▪ We confirmed that the licensee has complied with all of the individual performance standards prescribed by the Authority and included in Schedule 3 of the operating licence for the period from 18 November 2013 until the end of the audit period on 31 May 2015 that this obligation was in place for. 		
Operational Audit (Clause 14)						
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.	9	Licence Clause 14.1	4	<ul style="list-style-type: none"> ▪ The licensee is currently subject to operational audits at 24 month intervals. ▪ The last operational audit was undertaken in 2013 by Quantum Assurance (report prepared in July 2013) which covered the period from 1 May 2011 to 30 April 2013. ▪ The next operational audit (this audit) covers the period from 1 May 2013 to 30 April 2015. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Previous operational audit report (Quantum Assurance, July 2013) ▪ Correspondence with ERA 	1
The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	162	Licence Clause 14.4	4	<ul style="list-style-type: none"> ▪ The current operational audit follows the Audit and Review Guidelines - Water Licences – Final (July 2014) ▪ The audit has been conducted following the audit plan prepared in accordance with the guidelines and approved by the Authority. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The licensee has complied with all requests for information made by the auditor and has made its staff and resources freely available to assist the conduct of this audit. The licensee's staff have acted in a professional and helpful manner throughout this audit. 		
Reporting a Change in Circumstance (Clause 15)						
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.	163	Licence Clause 15.1 (a), (b), (c)	2	<ul style="list-style-type: none"> The licensee is not under external administration and there has been no material change of circumstances. Therefore, this clause is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
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.	164	Licence Clause 15.1 (d)	4	<ul style="list-style-type: none"> As noted, the licensee has not undertaken any major works or general works during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Provision of Information (Clause 16)						
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.	165	Licence Clause 16.1	4	<ul style="list-style-type: none"> The licensee has provided the required information to the Authority. 	<ul style="list-style-type: none"> Interviews with licensee staff 2012/13 and 2013/14 Annual Compliance Reports 2012/13 and 2013/14 Annual Performance Reports Correspondence with ERA 	1
The licensee must comply with any information reporting requirements	166	Licence Clause 16.2	4	<ul style="list-style-type: none"> We reviewed the following compliance reports at audit: 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
prescribed by the Authority, including but not limited to the provisions of the Water Compliance Reporting Manual that apply to the licensee.				<ul style="list-style-type: none"> – 2012/13 compliance report dated 28 August 2013 – 2013/14 compliance report dated 31 August 2014 ▪ We confirmed that the licensee reported no non-compliances in the annual compliance reports submitted to the ERA for these two years. The period for the 2014/15 compliance report has not yet been finished. 	<ul style="list-style-type: none"> ▪ 2012/13 and 2013/14 Annual Compliance Reports ▪ Correspondence with ERA 	
The licensee must provide the Authority with the data required for performance reporting purposes that is specified in Water Compliance Reporting Manual.	167	Licence Clause 16.3	4	<ul style="list-style-type: none"> ▪ The licensee has provided the Authority with performance reporting data. We reviewed the following performance reports at audit: <ul style="list-style-type: none"> – 2012/13 performance report – 2013/14 performance report ▪ We confirmed that the licensee submitted both performance reports in the audit period before the due date. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Performance reporting data for 2012/13 and 2013/14 ▪ 2012/13 and 2013/14 Annual Compliance Reports ▪ Correspondence with ERA 	1
Publishing Information (Clause 17)						
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.	168	Licence Clause 17.2	4	<ul style="list-style-type: none"> ▪ The Authority has not directed the licensee to publish information related to this obligation. Therefore the obligation cannot be rated. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff 	NR
Notices (Clause 18)						
Unless otherwise specified, all notices must be in writing.	169	Licence Clause 18.1	4	<ul style="list-style-type: none"> ▪ The licensee issues all formal correspondence in writing. ▪ We reviewed a sample of correspondence at audit 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Annual Compliance Reports ▪ Correspondence with ERA 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
					<ul style="list-style-type: none"> Sample of correspondence with customers 	
Asset Management System (Clause 20)						
The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	170	Licence Clause 20.1	4	<ul style="list-style-type: none"> The licensee provided details of the asset management system at the time of its licence application. This obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	171	Licence Clause 20.2	5	<ul style="list-style-type: none"> The licensee advised that no material change has been made to the asset management system during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NR
The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	172	Licence Clause 20.6	4	<ul style="list-style-type: none"> The asset management system review is being conducted in accordance with the Authority's <i>Audit and Review Guidelines: Water Licences (2014)</i> and the preceding <i>Audit Guidelines: Electricity, Gas and Water Licences (2009)</i> as both were in effect during the audit period. An audit plan consistent with these guidelines has been prepared prior to this audit. The licensee has been consulted with respect to the audit plan and the audit plan has been approved by the Authority. The outcomes of the asset management system review are in a later section of this report. 	<ul style="list-style-type: none"> Audit and review plan Audit and review guidelines Interviews with licensee staff 	1
The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	6	Sections 24(1)(a) & 24(2)	4	<ul style="list-style-type: none"> The licensee has in place an asset management system for the operation and maintenance of its water service works. 	<ul style="list-style-type: none"> Interviews with licensee staff Asset Management Plan 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> ▪ The main components of the licensee's asset management system are: <ul style="list-style-type: none"> – Gascoyne Water Asset Management System, a dedicated folder of documents that aligns with the ERA's asset management processes. – Asset Management Plan – Reckon for financial accounting – Reita / ET for meter read data and customer billing ▪ A review of this asset management system has been completed at the same time as this operational audit and the outcomes are presented in a later section of this report. 		
The licensee must give details of the asset management system and any changes to it to the Authority.	7	Section 24(1)(b)	5	<ul style="list-style-type: none"> ▪ Refer to the observations made for Obligation 171. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Correspondence with ERA 	NR
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.	8	Section 24(1)(c)	5	<ul style="list-style-type: none"> ▪ An asset management system review was conducted by Quantum Assurance and documented in a report prepared July 2013, which covered the period from 1 May 2011 to 30 April 2013. ▪ The next asset management system review (this review) covers the 24 month period from 1 May 2013 to 30 April 2015. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of previous asset management review report 	1
Water Services Ombudsman Scheme (Clause 21)						
The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	173	Licence Clause 21.1	4	<ul style="list-style-type: none"> ▪ The Energy and Water Ombudsman of Western Australia became responsible for the water services ombudsman scheme referred to in Part 4 of the Act on 1 January 2014. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Correspondence 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The licensee is a member of this scheme. 		
Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision or direction of the water services ombudsman under the scheme.	15	Section 66	4	<ul style="list-style-type: none"> The licensee has agreed to be bound by and compliant with any decision or direction of the Ombudsman. No complaints concerning the licensee have been referred to the Ombudsman during the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence Complaints register 	1
Standard Terms & Conditions of Service (Clause 22)						
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).	174	Licence Clause 22.1	4	<ul style="list-style-type: none"> There are no Standard Terms and Condition of Service that apply to the licensee. This obligation is not applicable. The licensee seeks to provide its services in accordance with the Act and other applicable legislation (e.g. Cooperatives Act 2009). 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Customer Contract (Clause 23)						
If directed by the Authority, the licensee must submit a draft customer contract for approval.	175	Licence Clause 23.1	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. This may change in the next audit period as CMAC (Carnarvon Ministerial Advisory Committee) consider that it would be beneficial for the licensee to have contracts in place with its customers. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NR
The licensee must comply with any Customer Contract Guidelines that apply to the licensee.	176	Licence Clause 23.2	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The licensee may only amend the customer contract with the Authority's approval.	177	Licence Clause 23.3	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NR
The licensee must comply with any direction by the Authority to amend the customer contract.	178	Licence Clause 23.6	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff Correspondence with ERA 	NR
Non Standard Terms & Conditions of Service (Clause 24)						
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.	179	Licence Clause 24.1 & 24.2	4	<ul style="list-style-type: none"> The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the Customer Services Code, the licensee must publish an annual report containing the information specified.	180	Licence Clause 24.4	4	<ul style="list-style-type: none"> The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Supplier of Last Resort (Clause 25)						
If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	181	Licence Clause 25.1	4	<ul style="list-style-type: none"> The licensee has not been appointed as a supplier of last resort. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	14	Section 60	4	<ul style="list-style-type: none"> The licensee has not been appointed as a supplier of last resort. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Duties of the Licensee (Clause 26)						
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.	12	Section 29	4	<ul style="list-style-type: none"> The duties of the licensee are set out in Part 2, Division 3 of the Act. The compliance of the licensee with these obligations has already been tested in this audit and the licensee has been found to be compliant with the duties that apply to it, The licensee seeks to comply with its duty to provide irrigation and non-potable water services within its operating area. The licensee has received a small number of complaints regarding its water services in the audit period. The licensee advises it has not refused provision of irrigation services or non-potable water services nor suspended provision of these services in the audit period to customers. 	<ul style="list-style-type: none"> Interviews with licensee staff Operating Licence Asset Management System Previous operational audit report (Quantum Assurance, July 2013) 	1
Provision of Water Services (Clause 27)						
The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	1	Section 21(1)(a)	5	<ul style="list-style-type: none"> The licensee provides irrigation services and non-potable water services under the Act. The licensee's Customer Service Charter sets out the conditions of and process for connecting to its water supply network. This is also set out in the Rules of Gascoyne Water 	<ul style="list-style-type: none"> Interviews with licensee staff Customer Service Charter, June 2012 Review of operating area map Inspection of assets 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				Cooperative which sets out the responsibilities of the members and the licensee.		
The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	2	Section 21(1)(b)	4	<ul style="list-style-type: none"> The water service charges are determined annually and approved by the Board (which is made up from member customers) as part of the budgeting process. The licensee determines reasonable charges based on its costs to operate the system. The GWAMCO Board, the asset owner of the borefield, charges growers a fixed fee to cover the costs of associated with the water source assets. This also includes payment for the southern borefield currently owned by Water Corporation. The licensee manages the northern borefield assets under contract to the OIAMC. The licensee advises that there have been no instances where it has discontinued providing a service because it has been not practicable or not financially viable. The irrigation network is limited to the extent of the licensed operating area. 	<ul style="list-style-type: none"> Review of annual budget 2014/15 Review of Fees & Charges 2014/15 Interviews with licensee staff Customer Service Charter, June 2012 	1
The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	3	Section 21(1)(c)	4	<ul style="list-style-type: none"> The licensee has in place an effective asset management system for the operation and maintenance of its water service works. We have undertaken an asset management review at the same time as this operational audit and the findings of this review are presented later in this report. We inspected the licensee's assets at the time of audit including the northern borefield (owned by GWAMCO) and a sample of offtake structures and meters. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of operating area map Inspection of assets Review of operation and maintenance records Review of licensee performance 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
					monitoring and maintenance records	
Provision of Water Services Outside Operating Area (Clause 28)						
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.	182	Licence Clause 28.1	4	<ul style="list-style-type: none"> The licensee has not provided a water service outside of the operating area. This obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of operating area map Inspection of assets 	NR
The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the license.	4	Section 22	4	<ul style="list-style-type: none"> The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Works Holding Arrangements (Clause 29)						
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.	5	Section 23	4	<ul style="list-style-type: none"> Although the licensee is the asset owner for the irrigation pipeline and associated assets, GWAMCO is the asset owner for the northern borefield. The licensee has an O&M contract in place with GWAMCO to maintain and operate the borefield assets in order to provide the water supply from this source. The agreement should be renewed annual but as a result of the licensee's General Manager changes in recent years, the contract in use is from February 2009. The licensee developed an update of the O&M contract in November 2014 but it has not yet been adopted. The licensee also has a services agreement with GWAMCO to provide the administrative services to the mutual organisation. 	<ul style="list-style-type: none"> Interviews with licensee staff Review financial records 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The Water Corporation is the asset owner of the southern borefield. The licensee has a water supply agreement in place with Water Corporation although this expired in June 2013 and needs to be extended. The new contract is currently being negotiated, with Water Corporation currently providing a temporary extension of the expired agreement that includes a CPI increase on the costs paid by the licensee. 		
Hardship Policy (Clause 30)						
The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	183	Licence Clause 30.3	4	<ul style="list-style-type: none"> The licensee received confirmation from the ERA that it is exempt from the requirement to have a financial hardship policy in a letter dated 22 July 2014. As such, this obligation is consider to not be applicable. 	<ul style="list-style-type: none"> Correspondence with the ERA 	NA
Memorandum of Understanding (Clause 31)						
The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.	184	Licence Clause 31.1	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable 	<ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan Inspection of assets 	NA
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.	185	Licence Clause 31.2	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable 	<ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan Inspection of assets 	NA
The licensee must comply with the terms of the Memorandum of Understanding.	186	Licence Clause 31.3	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable 	<ul style="list-style-type: none"> Interviews with licensee staff Review asset management plan 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
					<ul style="list-style-type: none"> Inspection of assets 	
Performance Standards (Schedule 3)						
The licensee must comply with the service and performance standards as set out in Schedule 3.	190	Section 9	N/A	<ul style="list-style-type: none"> Refer to the observations made for Obligation 161. We confirmed that the licensee has complied with all of the individual performance standards prescribed by the Authority and included in Schedule 3 of the operating licence for the period from 18 November 2013 until the end of the audit period on 31 May 2015 that this obligation was in place for. 	<ul style="list-style-type: none"> Operating license 	1

5.2 Asset Management System Review

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

Table 5-1 Asset Management System Review Observations

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
Asset Planning – Overall Rating: C2		
<ul style="list-style-type: none"> Asset Management Plan covers key requirements Planning processes and objectives reflect the needs of all stakeholders and is integrated with business planning. Service levels are defined. 	<p>Overview of GWC/GWAMCO Assets</p> <ul style="list-style-type: none"> The Gascoyne Water Asset Mutual Cooperative (GWAMCO) is the asset owner for the northern borefields. However, the GWC is the asset owner of the irrigation pipeline, and associated assets, that was constructed in 2012. Although GWAMCO should be the asset owner of the pipeline, the decision for GWC to own it was largely made as a result of tax purposes. 	<ul style="list-style-type: none"> GWC's Asset Management System (September 2012) GWC's Asset Management Plan, September 2012 GWAMCO's Capital Expenditure Plan 2013-2062

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<ul style="list-style-type: none"> ▪ Non-asset options (e.g. demand management) are considered. ▪ Lifecycle costs of owning and operating assets are assessed. ▪ Funding options are evaluated. ▪ Costs are justified and cost drivers identified. ▪ Likelihood and consequences of asset failure are predicted. ▪ Plans are regularly reviewed and updated. 	<ul style="list-style-type: none"> ▪ The licensee's new irrigation pipeline and consists of over 35km of HDPE pipe. The previous asbestos cement pipeline was decommissioned but left in-situ ▪ The system assets are considered to be in excellent condition. Our asset inspections of the above ground assets, which included the borefield assets and meters, confirmed this. ▪ Some growth has been forecast within GWC's operating areas, with 400 hectares proposed for infill plantations. The new pipeline has capacity to meet the forecast increase in demand although new spur lines may be required depending on where these proposed new plantations are sited. ▪ The pipeline is used to deliver the non-potable water supply to customer's storage tanks. All of the customers are supplied through a water meter. The assets downstream of the meter are the responsibility of the property owner. 	<ul style="list-style-type: none"> ▪ Business case for the Upgrade of the Gascoyne Irrigation Pipeline ▪ GWAMCO Business case for the Southern Borefield Transfer, July 2013 ▪ Rules of Gascoyne Water Cooperative Limited, 24 November 2014 ▪ GWC Policy and Procedure Manual ▪ Gascoyne Water Cashflow Forecast 2011/12 to 2021/22 ▪ GWC's Operations and Maintenance Expenditure 2011-2016 ▪ GWAMCO Asset Sinking Fund Calculator ▪ GWC's Strategic Plan 2012-2020 ▪ GWC's Business Plan 2012-2014 ▪ GWC's Annual Reports for the year ended 30 June 2013 and 2014
	<p>Asset Management Plan</p>	
	<ul style="list-style-type: none"> ▪ GWC's Asset Management Plan was prepared in September 2012. However, it has not been updated since this time. A draft update was prepared and issued to the GWC Board for review and approval in March 2015. At the time of the review in June 2015, the Board had yet to approve the updated AMP. ▪ The AMP includes an outline of the operating environment, Levels of Service, a description of the asset system and regulatory requirements. ▪ Section 2.6 - Levels of Service of the AMP provides an overview of the key service criteria, the service characteristics, target level of service and the performance measurement procedure for the decommissioned a-c mains assets, the new HDPE pipeline assets and the northern borefield assets. ▪ Legislative requirements are included in Section 2.3 of the AMP. However, these need to be reviewed and updated as the Water Services Licensing Act 1995 and the DoW Water Abstraction Licence for the northern borefield have been replaced since the AMP was developed. ▪ Section 1.4 of the AMP provides an overview of the assets. The section notes that the old asbestos cement pipeline would be decommissioned by the end of 2012. The decommissioning has been completed, with the old pipeline being left in-situ as a result of the asbestos material. Water Corporation have some AC pipes in the southern borefield but these are not GWC's responsibly. The boundary between the Water Corporation assets and GWC's assets is the Water Corporation-owned Brickhouse Pump Station. ▪ The SCADA assets discussed in Section 1.4 of the AMP were commissioned at the same time as the new pipeline. However, there has been issues with the SCADA and it is currently not being used. The system that was installed is considered to not be fit-for-purpose and GWC still relies on manual meter reads throughout the irrigation district. GWC considers that it "got the system it 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>paid for” as there were budget limitations when it procured these assets for the new pipeline. The SCADA has issues with the communication signals and the system only provides cumulative readings and is not able to provide a breakdown into specific intervals. The Board is currently assessing replacing the 2012-installed SCADA with a new system that can interface with the borefields. As a result of the likely replacement of the entire system, any SCADA repairs are not being carried out at present.</p> <ul style="list-style-type: none"> ▪ The 2012 AMP notes that the northern borefield was under development. This is an ongoing process. GWAMCO, the asset custodian now has the 5c permanent pumping licence that it was expected to have in the AMP by January 2013. 	
	<p>Asset Management Systems</p> <ul style="list-style-type: none"> ▪ Gascoyne Water has developed an Asset Management System consisting of a dedicated folder of documents that aligns with the ERA’s asset management processes. The electronic version is stored on the P: drive. Each document within the different asset management sections contains the file paths to associated, relevant and supporting documentation. ▪ GWC asset management information system is based on the series of Excel spreadsheets provided by the ERA for use by small water service providers. However, although the asset register is up-to-date, GWC does not currently actively use the system and is currently looking at replacing it with a different software package. 	
	<p>Asset Management Planning & Stakeholders</p> <ul style="list-style-type: none"> ▪ The General Manager has the overall responsibility for overall planning and developing the Planning Scheme document that identifies what infrastructure and facilities are required. ▪ The licensee has an annual budgeting process to review and approve any new works that have been identified. ▪ GWC works with the Department of Water and Water Corporation for demand forecasting and water budgeting purposes. GWC provides pumped and delivered volumes and Water Corporation provide the volumes for the southern borefield water in order to allow the total water allocation to be tracked. ▪ GWC’s customers are supplied from two different sources. The GWAMCO-owned northern borefields are operated and maintained by GWC under an O&M contract. The southern borefields are owned and operated by Water 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>Corporation. The southern borefield is used by Water Corporation as the source of the town water supply in Carnarvon.</p> <ul style="list-style-type: none"> ▪ Water Corporation use an offtake from the southern borefield delivery pipeline to divert the water to its treatment plant, with raw water being delivered to the GWC irrigation pipeline at downstream of the Brickhouse pumping station. ▪ GWC has a water supply agreement with Water Corporation for the water supplied from the southern borefield. This sets the overall allocation but also covers the pricing that GWC pays for the water and the daily takes that are allowed. However, this is currently with the Minister as there is a dispute between GWC and Water Corporation with regard to the new prices that Water Corporation is looking to charge. ▪ A power supply to the northern borefields was installed at the end of 2014. An external contractor was used to install the switchboards. GWC has maintained the back-up generators at the borefields but the Board has not yet decided how to dispose of the old diesel generators. ▪ The cost of installing the power supply to the northern borefields was met by the Gascoyne Food Bowl Initiative. GWC is involved in the Initiative and linked in to the work it carries out and the decisions it makes but is not as a stakeholder in the group. As a result, GWC are not involved in the planning work that the Initiative carries out. Gascoyne Food Bowl Initiative planning work that impacts on GWC includes the new power supply and extension of the northern borefield, bore drilling and the proposed 400 ha extension of the irrigation area. ▪ The Stage 2 expansion of the northern borefield and the new bores have been decided and planned. 	
	<p>Lifecycle Costs and Forecasts</p> <ul style="list-style-type: none"> ▪ Section 4 of the AMP covers the Lifecycle Management Plan. However, as with the rest of the AMP, this needs to be reviewed and updated to take account of the changes since 2012. ▪ The new HDPE pipeline has been assigned a 75 years asset life. It is currently in the third year of this life. ▪ Asset condition and valuation is set out in Section 4.2.7 of the AMP. The asset values are recorded in GWC's accounting system, Reckon. Asset condition information is recorded in GWC's asset register. This has not been revisited since the new pipeline was installed and has all the assets as being recorded as 'New'. ▪ Section 4.2.8 of the AMP notes that no meaningful maintenance planning and costing data had been kept of the three years preceding the 2012 AMP. GWC 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>now records maintenance activities and collates the costs using different cost codes for maintenance.</p> <ul style="list-style-type: none"> ▪ The contractor responsible for installing the new pipeline went into liquidation before the end of the project. As a result, GWC retained the final payment to cover the warranty/defects period that become its responsibility. The two year warranty/defects period for the new pipeline has now finished, with the outcome being that GWC has spent over and above the \$500,000 that was retained. There are still faults left that need to be rectified but these have been estimated in GWC's costings for the warranty/defects period. GWC is currently looking to claim the excess expenditure it has incurred during this period from the liquidator. ▪ The long-term GWAMCO 2013 – 2062 capital expenditure plan that was observed in the previous asset management review has not been reviewed or updated since this time. ▪ The GWC Business Plan was last updated in April 2013. The GWC Board are aware that the Plan needs to be updated. ▪ The GWC Cashflow Forecast 2011/12 – 2021/22 that was observed in the previous asset management review has not been updated during the review period. ▪ GWC confirmed that no work on expenditure forecasting has been completed since 2013 as a result of the General Manager issues that the organisation has experienced. ▪ Although GWAMCO was previously the asset owner of all of the irrigation assets, it is now only the asset owner of the northern borefield. Although GWC is the asset owner of the new HDPE pipeline and its associated assets, GWC does not yet have its own capital expenditure forecast plan. Expenditure for the pipeline is included in the annual budgeting process but there is no detailed replacement forecasting for the pipeline other than the high-level sinking fund. 	
Asset Creation – Overall Rating: C2		
<ul style="list-style-type: none"> ▪ Full project evaluations are undertaken for new assets including comparative assessment of non-asset solutions. ▪ Evaluations include all life-cycle costs. ▪ Projects reflect sound engineering and business decisions. ▪ Commissioning tests are documented and completed. 	<ul style="list-style-type: none"> ▪ GWC has a separate Asset Creation and Acquisition Policy and Asset Creation and Acquisition Procedure in Section 3 of its AMS. ▪ The procedure includes a Capital Expansion Project Approvals Procedure, a System Improvement Approvals Procedure and also provides information regarding the Asset Acquisition/Creation/Replacement Register. Both the Asset Creation and Acquisition Policy and Procedure were developed in September 2012 and due for review in September 2014. These reviews have not taken place. ▪ We observed that the policy does not reference the interface between GWAMCO and GWC or the working arrangement between the two different cooperatives. The procedure does not explicitly reference GWAMCO although 	<ul style="list-style-type: none"> ▪ GWC's Asset Management System (September 2012) ▪ GWC's Asset Creation and Acquisition Policy and Procedure ▪ GWC's Asset Acquisition, Creation and Replacement Register ▪ GWC New Member Connection & New Meter on Customer Subdivision Procedures

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<ul style="list-style-type: none"> ▪ Ongoing legal / environmental / safety obligations of the asset owners are assigned and understood. 	<p>it is implicitly referenced (e.g. 'Presented to and approved by the appropriate Board'). We recommend that GWC sets out the arrangements between GWC and GWAMCO in the appropriate policy and procedural documents in the AMS where GWAMCO involvement is required for particular activities.</p> <ul style="list-style-type: none"> ▪ GWC has separate procedures for new member connections to the pipeline and new meter installations on member subdivisions. New connections/meters are completed at the customer's cost. The new assets are transferred to GWC and this is set out in the Rules of Gascoyne Water Cooperative. ▪ GWC's Asset Creation/Renewal/Acquisition Register has not been updated since April 2013. The only new assets that have been created in the last two years since the time of the previous review have been a new connection that was installed in March 2015. This include a tap into the pipeline and a new meter. This work has been updated in GWC's planned works register. ▪ Full project evaluations are undertaken when required and include all life-cycle costs and, where appropriate, assessments of non-asset solutions. GWC prepared a business plan for the new pipeline that was constructed during the previous this period. It has also prepared a business plan for the takeover of the southern borefield from Water Corporation, although this was plan was also developed outside of the current review period. ▪ Business cases are submitted through the licensee's budgeting process for review and approval by the GWC and GWAMCO Boards. ▪ The licensee does not have specific testing and commissioning procedures for its active assets but these are included in the conditions of contract for any major work. ▪ GWC completed a two year defects and warranty period for the new pipeline and its ancillary assets as a result of the contractor going into liquidation before the construction had been completed. ▪ Legal, environmental and safety obligations are documented in GWC's AMS, including Section 2.3 of the Asset Management Plan. However, as the AMS has not been updated since 2012, a number of the references are out of date (e.g. the references to the <i>Water Services Licensing Act 1995</i>), and will need to be revised in the next update of the document. The AMS documentation should be reviewed and revised as a matter of priority. 	<ul style="list-style-type: none"> ▪ GWC's Asset Management Plan, September 2012 ▪ GWC's Asset Creation/Renewal/Acquisition Register ▪ GWC's Planned Works Register ▪ GWC's Completed Works Register ▪ GWC's Defects Tracking Register ▪ GWAMCO's Capital Expenditure Plan 2013-2062 ▪ Business case for the Upgrade of the Gascoyne Irrigation Pipeline ▪ GWAMCO Business case for the Southern Borefield Transfer, July 2013 ▪ Rules of Gascoyne Water Cooperative Limited, 24 November 2014 ▪ GWC Policy and Procedure Manual ▪ GWAMCO Asset Sinking Fund Calculator ▪ GWC's Strategic Plan 2012-2020 ▪ GWC's Business Plan 2012-2014 ▪ GWC's Annual Reports for the year ended 30 June 2013 and 2014
<p>Asset Disposal – Overall Rating: C2</p>		
<ul style="list-style-type: none"> ▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process. 	<ul style="list-style-type: none"> ▪ GWC has a separate asset disposal policy and asset disposal procedure included in its AMS. Both documents were developed in September 2012 and due for review in September 2014. These reviews have not taken place. ▪ The Asset Disposal Procedure covers: <ul style="list-style-type: none"> – Asset Disposal 	<ul style="list-style-type: none"> ▪ GWC's Asset Management System (September 2012) ▪ GWC's Asset Disposal Policy and Procedures ▪ GWC's Asset Disposal Register

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<ul style="list-style-type: none"> ▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. ▪ Disposal alternatives are evaluated. ▪ There is a replacement strategy for assets. 	<ul style="list-style-type: none"> – Methods of Disposal – Approval for Disposal – Identification of underperforming assets – Asset Replacement Strategy – Asset Disposal Register – Disposing of Inventory Assets – Disposing of Capital Assets ▪ The Asset Replacement Strategy discussed GWAMCO and the asset replacement sinking fund that customers pay into to fund asset renewals. However, as with the asset creation procedures, although the disposal approval procedure references ‘approval of the relevant Board’, they do not set out the interface between GWC and GWAMCO or where GWAMCO involvement is required for particular activities. ▪ GWC has a Disposals Register but this has not been updated since May 2013. However, GWC do not think that any assets have been disposed of since this time. ▪ Although GWC has completed the warranty/defects period for the new pipeline, this work has involved repair work of the installed assets and not disposal of these assets and replacement of assets and lengths of pipe. ▪ GWC does not have a formal inspection program and is currently utilising a more ad hoc approach with reactive maintenance when required. 	<ul style="list-style-type: none"> ▪ GWC Disconnection Register ▪ GWC’s Asset Management Plan, September 2012 ▪ GWC’s Asset Creation/Renewal/Acquisition Register ▪ GWC’s Defects Tracking Register ▪ GWAMCO’s Capital Expenditure Plan 2013-2062 ▪ Rules of Gascoyne Water Cooperative Limited, 24 November 2014 ▪ GWC Policy and Procedure Manual ▪ GWC’s Annual Reports for the year ended 30 June 2013 and 2014

Environmental Analysis – Overall Rating: C2

<ul style="list-style-type: none"> ▪ Opportunities and threats in the system environment are assessed. ▪ Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved. ▪ Compliance with statutory and regulatory requirements. ▪ Achievement of customer service levels. 	<ul style="list-style-type: none"> ▪ GWC has an Environmental Analysis Policy and a separate Environmental Analysis Procedure in Section 5 of its AMS. ▪ The Policy states that its objective is ‘Outcome compliance as per table 16 page 38 of ERA Audit Guidelines, Electricity, Gas and Water Licences for environmental analysis’. We recommend that the Policy is updated to reflect the changes to the ERA’s audit guidelines. ▪ The Environmental Analysis Procedure sets out: <ul style="list-style-type: none"> – Opportunities and Threats – Performance Standards – Compliance with statutory and regulatory requirements – Customer Service Levels ▪ The procedure provides the file paths to all the associated documentation required to complete the procedures. 	<ul style="list-style-type: none"> ▪ GWC’s Asset Management System (September 2012) ▪ GWC’s Environmental Analysis Policy and Procedures ▪ GWC’s Asset Management Plan, September 2012 ▪ GWC’s Asset Creation/Renewal/Acquisition Register ▪ GWC’s Defects Tracking Register ▪ GWAMCO’s Capital Expenditure Plan 2013-2062
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Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ As noted previously, Asset Environment is included in the Section 1.3 of AMP and provides an overview of the physical environment that GWC's assets are operating in. ▪ Also as noted previously, GWC has identified statutory and regulatory requirements in its Section 2.3 of the AMP. However, this makes reference to the <i>Water Services Licensing Act 1995</i>, which has been superseded by the <i>Water Services Act 2012</i>. We recommend that the asset management plan be updated to reflect the new legislative framework. ▪ GWC maintains a Compliance Reporting Schedule that is used to assist in keeping track of its statutory and regulatory obligations in the year. However, we observed that the hard copy version of the Register has not been updated since 2013. The electronic version of the Register was updated. ▪ Risk assessment is undertaken within Section 9 of GWC's AMS. ▪ The risk assessment for the assets considers the consequences for risks with regard to Financial, Technical, Customers/Members, Community, and Political matters. These are used to derive the overall consequence score. ▪ Target Levels of Service for safety, quality, legislative/statutory, strategic and efficiency are outlined in Section 2 of the AMP. ▪ Section 2 of the AMP also outlines the performance measurement procedures that GWC uses to assess performance against the service levels. ▪ GWC maintains O&M data for internal performance analysis and reporting but has not updated the hard copy of this information since April 2013 and has not updated the electronic version of this information since later the same year. ▪ It is the General Manager's responsibility to ensure that the requirements of the Environmental Analysis Procedure are kept up to date. ▪ Performance standards have been reported to the ERA annually and signed-off by the General Manager. 	<ul style="list-style-type: none"> ▪ Rules of Gascoyne Water Cooperative Limited, 24 November 2014 ▪ GWC Policy and Procedure Manual ▪ GWC's Annual Reports for the year ended 30 June 2013 and 2014 ▪ GWC Compliance Reporting Schedule ▪ Annual ERA Compliance Reports 2012/13 and 2013/14 ▪ Board Operations and Maintenance Performance Data, November 2013 ▪ GWC's Risk Management Policy and Procedures ▪ GWC's Strategic Risk Assessment and Management Plan ▪ GWC's Business Risk Register ▪ GWC's Risk Register for Carnarvon Irrigation System
Asset Operations – Overall Rating: C2		
<ul style="list-style-type: none"> ▪ Operational policies and procedures are documented and linked to service levels required. ▪ Risk management is applied to prioritise operations tasks. ▪ Assets are documented in an Asset Register, including asset type, location, material, plans of components, an assessment of assets' physical / structural condition and accounting data. 	<p>Asset Operations Policies</p> <ul style="list-style-type: none"> ▪ GWC has an Asset Operations Policy and a separate Asset Operations Procedure included in its AMS. GWC also has separate Work Order Request Policy and a Work Order Request Procedure. ▪ The objective of the Asset Operations Policy is 'To provide continuous service levels to all Members with minimal disruption to supply'. ▪ The Asset Operations Procedure covers: <ul style="list-style-type: none"> – Current GWC Structure – Operating Hours 	<ul style="list-style-type: none"> ▪ GWC's Asset Management System (September 2012) ▪ GWC's Asset Management Plan, September 2012 ▪ Rules of Gascoyne Water Cooperative Limited, 24 November 2014 ▪ GWC Policy and Procedure Manual

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<ul style="list-style-type: none"> ▪ Operational costs are measured and monitored. ▪ Staff receives training commensurate with their responsibilities. 	<ul style="list-style-type: none"> – Customer Services – Service and performance standards – Operational Tasks and Action Plans. ▪ The Procedure references Operational Tasks and Action Plans are included in Table 4.1 of GWC’s AMP. However, we note that Table 4.1 does not exist in the AMP. Instead, this information is included in the Operations Action Plan and Risk Assessment. ▪ However, the Operations Action Plan focuses more on customer service outcomes more than actual asset operations. The Plan includes customer service issues such as complaints, customer charter and consultation and also covers connections, meter readings and billing. ▪ The Action Plan also includes activities related to reporting to the ERA and performance standards associated with services, pricing, shut-downs and provision of non-potable water. ▪ The Goals and Objectives of the Irrigation Scheme included in Section 1.2 of the AMP provides a very high level outline of the licensee’s overall objectives in its provision of its services. ▪ The AMP includes an overview of the system. Section 2.6 - Levels of Service provides an overview of the key service criteria, the service characteristics, target level of service and the performance measurement procedure for the decommissioned a-c mains assets, the new HDPE pipeline assets and the northern borefield assets. This information, together with the information included in Section 4 - Lifecycle Management Plan, in the AMP, infer how the assets are operated. Although explicit instructions are not provided in the AMP file paths to the associated documents, including routine maintenance schedules, the planned work register, defect procedures and forms and physical parameter records for maintaining operations data. ▪ The AMP provides very little information related to operating the scheme and optimising the assets. Although the AMS includes a separate section related to Operations Management (Section 6), we recommend that additional sub-sections be added to the AMP to provide an overview and file paths to the associated documents related to operating the assets to provide the optimal outcomes. ▪ Where appropriate, the manufacturer’s operating instructions/manuals are kept and used by the works and maintenance staff. <p>Asset Operations</p> <ul style="list-style-type: none"> ▪ GWC does not have a water ordering system for its customers. Instead the customers make an estimation at the start of each year as to how much water 	<ul style="list-style-type: none"> ▪ GWC’s Annual Reports for the year ended 30 June 2013 and 2014 ▪ Board Operations and Maintenance Performance Data, November 2013 ▪ GWC’s Asset Operation Policy and Procedures ▪ GWC’s Asset Registers for old a-c pipeline, new HDPE pipeline and the Northern Borefield ▪ GWC’s Operations Action Plan and Risk Assessment spreadsheet ▪ Board Operations and Maintenance Performance Data, November 2013 ▪ GWC’s Work Order/Request Policy and Procedures ▪ ALS Water quality sampling test results ▪ GWC and GWAMCO Profit & Loss and Cashflow Budget for 2014/15 ▪ GWC’s Operations and Maintenance Expenditure 2011-2016 ▪ Performance Reports to the Authority for the years ended 30 June 2013 and 2014

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>they think they will need. However, not all of GWC's members provide an annual estimate and this can make GWC's demand management process more problematic.</p> <ul style="list-style-type: none"> ▪ The customer's storage tanks have solenoid level sensors that allow the tanks to keep taking water from the pipeline until they are full. The majority of GWC's customers take water from the irrigation supply throughout the day but GWC is trying to change the pattern of how its customers take water. ▪ GWC has had to enforce water restrictions on its customers in recent years. In 2014, the initial allocation of 50% of its total allocation was increased to 80% on 14 February. For 2015, a 60% allocation at 1 January, was increased to 70% on 11 February and to 100% of the total allocation on 4 March 2015. The increases in the allocations during the two years have been a result of the wet seasons. ▪ The restrictions to the allocation relate to the water provided from the southern borefield by Water Corporation. GWC is not able to meet 100% of the water demand from its customers from the water supplied from the northern borefield which GWAMCO owns and GWC operates under contract. ▪ The Water Supply Agreement between GWC and Water Corporation utilises a 'Take it or leave it' approach and GWC still has to pay for the water even if it does not take it. As a result, the optimum operating mode is for GWC to take all of the Water Corporation allocation and minimise the water it sources from the northern borefield. ▪ We reviewed the ET system where GWC records the water volume data for each customer. The system records shareholder and allocation information as well as meter read data related to how much water has been delivered. We reviewed a sample of Water Statements and confirmed that they provide all of the water supply history from the current growing year. ▪ Meter reads from the individual pumps at the northern borefield are recorded. All water quality sampling is taken at the bore pumps, no sampling is taken in the pipeline. ▪ GWC has a work order template that field staff use to record maintenance activities. Staff have specific codes to charge operations and maintenance tasks against. <p>Operational / Maintenance Procedures and Tasks</p> <ul style="list-style-type: none"> ▪ GWC has an on call register. Any emergencies that are called in out-of-hours by customers are forwarded to the on call officer to respond. ▪ The installation of the new pipeline has had an impact on the water pressure that the customers receive, and this resulted in the large numbers of 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>complaints that GWC received when the pipeline was first being commissioned.</p> <ul style="list-style-type: none"> ▪ GWC maintains an inventory for spare parts in its Reckon accounting system. Spare parts are stored in the workshop. ▪ For some maintenance tasks and repairs, GWC has to drain the pipeline. However, if the southern borefield is offline, draining the pipeline does not take long. ▪ GWC has an excavator and mini-excavator available to assist with maintenance activities if required. ▪ Maintenance work on the scheme is predominantly reactive at the present time and based on ad hoc inspections. As the assets are relatively new and in good condition, this approach is currently valid but will need to move to a more proactive regime of maintenance as the assets age and require more maintenance. <p>Risk Management</p> <ul style="list-style-type: none"> ▪ As noted previously, risk management is included a separate section of GWC's AMS. ▪ Risk assessments have been completed for various operations tasks and are included in the Operations Action Plan and Risk Assessment spreadsheet in the AMP and in the Asset Maintenance Risk Register for the Carnarvon Irrigation System. These have been considered in prioritising operational and maintenance tasks. ▪ However, at the present time, with the assets on the pipeline being young, only in Year 3 of their asset lives, and with the comprehensive warranty and defects period only being recently completed, risk management is not being fully applied to prioritise operational and maintenance tasks and a more reactive approach is being used. <p>Asset Register</p> <ul style="list-style-type: none"> ▪ GWC maintains its asset register in the Excel spreadsheet template provided by the ERA. The register includes the new pipeline assets, the old asbestos cement pipeline (now decommissioned but left in-situ), the northern borefield assets (owned by GWAMCO) and all of the valves, meters and SCADA on the new pipeline. ▪ All of the new pipeline and ancillary assets have been recorded with an asset condition of '5', equivalent to 'new' assets under GWC's condition scoring methodology. 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ The valve assets on the pipeline have a ten year asset life. Based on this, some valves could possibly need to be replaced in the next asset management system review period, which, with the pipeline being commissioned in 2012, runs out to Year 5 of the asset life. The HDPE pipe itself has been assigned a 75 year asset life. ▪ Hard copy drawings for the new irrigation pipeline are kept on file in GWC's office. ▪ Some asset information is recorded in Reckon, including the current value and depreciation in the year for accounting purposes. Invoices against the pipeline are also recorded in Reckon. 	
	<p>Operational Costs</p> <ul style="list-style-type: none"> ▪ GWC records its O&M labour costs in a spreadsheet that breaks down the expenditure against the high level asset category (e.g. pipeline, borefield, meter, etc.). Material costs are recorded in Reckon, GWC's accounting software system but labour is only recorded as a lump sum item rather than being allocated to specific asset types or to specific activities. ▪ GWC is invoiced monthly by Horizon Power for electricity used by the pumps at the northern borefield. ▪ The electricity costs associated with the northern borefield are relatively new costs as a result of the recent installation of a power supply for the borefield replacing the diesel generators that were previously used. The electricity costs are slightly less than GWC previously paid for running the generators and GWC saves maintenance and labour costs that it used to incur. ▪ GWC is billed by Water Corporation for the water provided from the Water Corporation-owned southern borefield. Water Corporation charge GWC a fixed rate for the water allocation whether GWC take this water or not and also charge monthly for the electricity used by its pumps at the borefield and the Brickhouse Pump Station. ▪ The costs that Water Corporation invoices GWC for are pro rata'd based on the volume of raw water taken to provide to the irrigators compared to the volume of water that Water Corporation treats and provides as the potable town water supply. ▪ GWC has paid over \$500,000 to Water Corporation in the last financial year (up to 9 June 2015 when this review took place) for electricity costs associated with the operation of the southern borefield. ▪ The power costs for the southern borefield that Water Corporation are looking to charge GWC in the new proposed water supply agreement has increased by almost 175%. 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ The Water Supply Agreement between Water Corporation and GWC has expired and the current arrangement is based on the costs from last year inflated by CPI until the new agreement is agreed. The current arrangement is expected to expire at the end of the 2014/15 financial year, meaning that the new agreement will need to be finalised soon. ▪ The issue with the negotiating of a Water Supply Agreement is that if Water Corporation charge the rates that it has proposed, it will make GWC insolvent as it considers that the proposed increases are in excess of a level that the farmers could afford. ▪ As a result of the issues in reaching a new agreement, CMAC (Carnarvon Ministerial Advisory Committee), a state government created group comprising representatives from the Department of Agriculture and Food, Department of Water, Shire of Carnarvon, GWC, Department of Regional Development, Water Corporation, Gascoyne Development Commission, Carnarvon Water Allocation Advisory Committee and GWAMCO has become involved in the negotiations. ▪ GWC taking over the southern borefield from Water Corporation is one possible option that is being assessed. If this transfer of assets from Water Corporation eventuates, it is expected that GWAMCO would become the asset custodian. ▪ CMAC's model has showed little difference between Water Corporation or GWAMCO owning and operating the southern borefield assets. As a result, CMAC has concluded that the two organisations should negotiate for the southern borefield to be transferred to GWAMCO and that by this being achieved, GWC would be able to maintain prices to irrigators at lower levels than had been forecast in a Marsden Jacobs model. ▪ GWC has an annual budget workshop to develop the next year budget. GWC's contract accountant is heavily involved in the budgeting process. The budget only looks at the next financial year and there is no expenditure forecasting beyond this. 	
	<p>Staff Training</p> <ul style="list-style-type: none"> ▪ GWC has a total of five staff. This is made up of: <ul style="list-style-type: none"> – General Manager – Office Manager – Office Assistant – Operations Manager – Operations Assistant ▪ Field staff are trained to meet their position responsibilities. 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ There is a limited register of staff training information. GWC uses Maus, a software system that it uses to manage its policies and procedures but which also has a training register that can be used to record certification and licenses. ▪ Previously GWC had an annual staff review process but as a result of the issues it has experienced with retention of General Managers, this process has lapsed in the last few years. ▪ Other than its accountant, GWC does not use any regular contractors. GWC's own operations field staff carry out all field work. 	
Asset Maintenance – Overall Rating: C2		
<ul style="list-style-type: none"> ▪ Maintenance policies and procedures are documented and linked to service levels required. ▪ Regular inspections are undertaken of asset performance and condition. ▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule. ▪ Failures are analysed and operational / maintenance plans adjusted where necessary. ▪ Risk management is applied to priorities maintenance tasks. ▪ Maintenance costs are measured and monitored. 	<p>Policies and Procedures</p> <ul style="list-style-type: none"> ▪ Also refer to previous section for details of operational policies and procedures. ▪ Section 7 of GWC's AMS includes an Asset Maintenance Inventory Control Policy and an Asset Maintenance Inventory Control Procedure. The objective of the policy is 'To ensure that GWC maintains sufficient spare equipment in order to rectify faults or failures of the distribution and metering systems. ▪ The Asset Maintenance Inventory Control Procedure identifies the responsibilities for the inventory management and outline the Procurement Procedures. ▪ GWC has a Maintenance Costing Policy and a Maintenance Costing Procedure in its AMS. The objective of the policy is 'To develop a means of budgeting and collecting all maintenance costs associated with Routine and Planned Maintenance activities'. The associated procedure sets out the procedures for time sheet, along with a list of relevant cost codes, Stores Issue Dockets, Invoices from External Suppliers, and collecting labour and material costs. ▪ GWC has a Routine & Planned Maintenance Policy and an associated Routine & Planned Maintenance Procedure. The objectives of the policy are 'To develop levels of service that enable GWC to meet its customer expectations for a reliable and cost effective water delivery system'. ▪ The Routine & Planned Maintenance Procedure covers: <ul style="list-style-type: none"> – Routine Maintenance – Planned Works Register – Timesheets – Work Orders – SIDS – Invoices – Collecting Costs ▪ The procedures included in GWC's AMS all include the file paths to other relevant and associated documentation. <p>Asset Inspections & Maintenance Plans</p>	<ul style="list-style-type: none"> ▪ GWC's Asset Management System (September 2012) ▪ GWC's Asset Management Plan, September 2012 ▪ Rules of Gascoyne Water Cooperative Limited, 24 November 2014 ▪ GWC Policy and Procedure Manual ▪ GWC's Routine and Planned Maintenance Policy and procedures ▪ Asset Maintenance Risk Register for Carnarvon Irrigation System ▪ GWC Maintenance Costing Policy and Procedure ▪ GWC Routine & Planned Maintenance Policy and Procedures ▪ GWC's Master Routine Maintenance Schedule ▪ GWC's Planned Works Register ▪ GWC's Completed Works Register ▪ GWC's Defects Tracking Register ▪ GWC's Annual Reports for the year ended 30 June 2013 and 2014

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ GWC has a Master Routine Schedule that covers the main maintenance activities, the frequency of the activity, an estimate of the time to complete each task, comments associated with completing the task and the cost code that the work is booked to. ▪ GWC's Master Routine Schedule also has a spreadsheet record to complete when the maintenance activity is carried out. A sheet has been developed to record weekly, monthly, six-monthly and annual maintenance. However, GWC does not think that the records of the work completed have been maintained in the last few years. ▪ GWC has a Planned Works Register that records planned work that has been completed. The hard copy of this register included in the AMS documentation has not been updated since June 2013. However, the electronic version of the register has been updated during 2015 to add the new metered connection that was installed in March 2015. ▪ GWC's maintenance management and planning is also covered in the Lifecycle Management section of the AMP. ▪ Section 4.2.7 outlines asset condition and valuation and Section 4.2.8 covers historical maintenance data. An overview of the Routine Maintenance Schedule is provided in Section 4.3 and Planned Maintenance Activities is included in Section 4.4. File paths to the more detailed plans and schedules are included. ▪ The AMP also has a dedicated section for the Warranty/Defects Period (Section 4.5) which is now not required as this period has ended. ▪ The Contingency Planning Procedures includes the emergency responses for bore field collector main failures, southern borefield total power failure, GWC HDPE mains failure, spur lines failures, individual Member Offtakes, contamination of the scheme, compliance with plumbing standards, de-commissioning of redundant asbestos-cement pipeline, inadequate design of the new HDPE distribution mains, flooding of Carnarvon Horticultural Area and increases in Ground water salinity. This process is covered in more detail below in the Contingency Planning process. 	<ul style="list-style-type: none"> ▪ Board Operations and Maintenance Performance Data, November 2013 ▪ Board Operations and Maintenance Performance Data, November 2013 ▪ GWC's Work Order/Request Policy and Procedures ▪ GWC and GWAMCO Profit & Loss and Cashflow Budget for 2014/15 ▪ GWC's Operations and Maintenance Expenditure 2011-2016 ▪ Performance Reports to the Authority for the years ended 30 June 2013 and 2014
	<p>Asset Failure Analysis</p>	
	<ul style="list-style-type: none"> ▪ GWC developed a pipeline defects tracking policy when it took control of the warranty/defects period. It also has a dedicated defects procedure to cover the recording and reporting of issues with the new assets ▪ GWC developed a defects register for the two year period to record the asset defects it experienced and track the costs associated with the repairs and rectification. The register was also used to estimate the costs associated with water lost from the system as a result of repair work. 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ The current total cost that GWC has experienced as a result of carrying out remedial work during the defects and warranty period exceeds \$1.5M. ▪ Other asset failures are identified through the inspections and actions associated with the routine maintenance schedule. ▪ The Planned Work register is used to record tasks that need to be completed and allows maintenance work to be prioritised. <p>Risk Management</p> <ul style="list-style-type: none"> ▪ Refer to previous section for details of risk management included in the AMS. <p>Maintenance Costs</p> <ul style="list-style-type: none"> ▪ As noted above, GWC has Maintenance Costing Policy and a Maintenance Costing Procedure in its AMS. ▪ As noted previously, GWC records its O&M labour costs in a spreadsheet that breaks down the expenditure against the high level asset category (e.g. pipeline, borefield, meter, etc.). ▪ Material costs are recorded in Reckon, GWC’s accounting software system but labour is only recorded as a lump sum item rather than being allocated to specific asset types or to specific activities. ▪ GWC’s timesheet template is set up to records the time spent on assets and the components worked on in order to track the labour costs. ▪ All maintenance costs are assessed against the ongoing operations budget. This information is recorded in a spreadsheet (Maint Labour Budget vs Actual 2012 onwards.xls) for each of the two six month periods in the financial year. Although GWC has not updated the majority of its AMS and financial management documentation since the time of the last review, it has continued to compare actuals against budgets for its maintenance costs. ▪ We reviewed the maintenance cost data in Reckon during the review and observed that GWC has spent in the order of \$1,000 on meter maintenance in the last financial year. 	
Asset Management Information System – Overall Rating: C2		
<ul style="list-style-type: none"> ▪ Adequate system documentation for users and IT operators ▪ Input controls include appropriate verification and validation of data entered into the system ▪ Logical security access controls appear adequate, such as passwords 	<p>Policies and Procedures</p> <ul style="list-style-type: none"> ▪ Section 8 of GWC’s AMS includes an Asset Management Information System Policy and an Asset Management Information System Procedure. The objective of the policy is that ‘The asset management Information systems operated by GWC should provide authorised, complete and accurate information for the day-to-day running of the asset management system’. 	<ul style="list-style-type: none"> ▪ GWC’s Asset Management System (September 2012) ▪ GWC Policy and Procedure Manual

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
<ul style="list-style-type: none"> ▪ Physical security access controls appear adequate ▪ Data backup procedures appear adequate ▪ Key computations related to licensee performance reporting are materially accurate ▪ Management reports appear adequate for the licensee to monitor licence obligations 	<ul style="list-style-type: none"> ▪ The Asset Management Information System Procedure covers: <ul style="list-style-type: none"> – Background to GWC’s asset management systems – Documentation – Controls – Physical Security – Reports on Compliance and Licence obligations ▪ The procedure includes the file paths to all the relevant and associated documentation <p>Overview of AMIS</p> <ul style="list-style-type: none"> ▪ The licensee utilises the following asset information systems: <ul style="list-style-type: none"> – Gascoyne Water Asset Management System, a dedicated folder of documents that aligns with the ERA’s asset management processes. – Asset Management Plan – Reckon for financial accounting – Reita / ET for meter read data and customer water volume billing data – Reckon for customer billing ▪ Manuals and other documentation are maintained for the licensee’s corporate systems. ▪ The licensee uses a software package called Reita for recording meter readings. This converts the readings to delivered volumes and interfaces with ET, which is a built for purpose software package that essentially forms the customer management system. ▪ ET records all customer information including addresses, contact details, share registry information, water usage data and generates monthly meter reading sheets and water statements. ▪ The water statements inform the customer of how much water they have used in the previous month as well as how much of their allocation they have left for the rest of the year. The water statement is sent to customers along with the monthly invoice. ▪ Billing is carried out using the Reckon Accounting software package, a cloud based system. The licensee is assessing replacement billing systems for implementation during 2015/16 for better reporting capabilities and also as the licensee has experienced access issues since the latest upgrade of the system. 	<ul style="list-style-type: none"> ▪ GWC’s Asset Management Information System Policy and Procedures ▪ GWC’s Asset Management Plan, September 2012 ▪ Rules of Gascoyne Water Cooperative Limited, 24 November 2014 ▪ Reckon Accounting System ▪ Reckon ▪ ET / Reita ▪ Board Operations and Maintenance Performance Data, November 2013 ▪ ALS Water quality sampling test results ▪ Annual Performance Reports (2013, 2014)

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>Data Entry</p> <ul style="list-style-type: none"> ▪ The data is only generally verified and validated on input, although ad hoc reporting is used to identify and rectify any errors in the input information. <p>Management Reports</p> <ul style="list-style-type: none"> ▪ The General Manager is responsible for preparing the monthly Board reports. These reports provide a summary of operations, any issues that have been experienced and the status of any actions/activities. The Board reports are not made public. ▪ There is currently no regular internal management reporting related to the irrigation system. Licence obligations are continually monitored but would only be expected to be reported upwards to the Board. ▪ Previously Operations and Maintenance Performance Data was reported to the Board. This data recorded in the spreadsheet included allocation and usage volumes, with a water balance derived and losses estimated, water quality information and customer service indicators. The customer service standards included bursts, planned interruptions, customer complaints, new connections, and bursts and leaks related to the southern borefield. However, this record of the performance data has not been updated since October 2013. ▪ Performance data has been reported to the ERA annually and signed-off by the General Manager. ▪ The licensee samples water quality on the north borefield. Sampling is carried out every four weeks. The water quality sampling test reports are provided back to GWC as well as also being sent to the Department of Water. ▪ Performance standards are not included in the Annual Report. Any key activities related to the operation of the scheme would only be included in the Annual Report by exception. <p>Security access of system</p> <ul style="list-style-type: none"> ▪ The Physical Security section in the Asset Management Information System Procedure covers back-up procedures. GWC also has a back-up procedure for Reckon, its financial system. ▪ GWC's asset management data and documentation is stored on the P: drive of its server. The server is backed up onto tape daily and the tape stored off site. GWC has four back-up tapes that it uses on rotation. ▪ Access to the system is governed by standard IT access protocols. All systems require a password to log on. ▪ Access to the AMS information on the P: drive is not password restricted and can be accessed by any members of GWC's staff once they have logged on. 	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>Given the small number of staff in the licensee's office and the type of information stored on the AMS server, we consider that this is acceptable and that GWC's overall IT access protocols are sufficient.</p>	
<p>Risk Management – Overall Rating: C2</p>		
<ul style="list-style-type: none"> ▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system ▪ Risks are documented in a risk register and treatment plans are actioned and monitored ▪ The probability and consequences of asset failure are regularly assessed 	<ul style="list-style-type: none"> ▪ Section 9 of GWC's AMS includes a Risk Management Policy and Risk Management Procedures. The procedure includes GWC's methodology for its risk assessments and the matrices it used for scoring likelihood, consequence and the risk exposure. ▪ Section 3.0 of GWC's AMP also provides an overview of the risk management activities and key documentation. ▪ The Risk Register for Carnarvon Irrigation System is also included in the Risk Management Procedure document. This calculates and reports the risk level for different risk events associated with different assets. The register has been combined to include the risks for both GWC and GWAMCO. The register also outlines the controls that have been adopted to manage each of the identified risks. The Register is broken down into categories for: <ul style="list-style-type: none"> – Risk of failure of system assets – Risks from Irrigation Operating or on farm practices – Strategic Objectives – Strategic Goals ▪ The risk assessment for the assets considers the consequences for risks with regard to Financial, Technical, Customers/Members, Community, and Political matters. These are used to derive the overall consequence score. ▪ We note that the register derives an overall risk score and the controls to manage each identified risk but that the register does not create an initial risk score and a residual risk score which identified whether the controls that have been established are adequate to manage the risk or identify whether the mitigated risk is at an acceptable level. We recommend that GWC revises its register to take account of these matters. ▪ We note that the Risk Management Procedures and Risk Register have not been reviewed or updated since 2012. As a result, a number of the identified risks relate to the new pipeline construction period and so are no longer relevant. ▪ As noted previously, risk assessments have been considered in prioritising operational and maintenance tasks. However, at the present time, with the assets on the pipeline being young, only in Year 3 of their asset lives, and with the comprehensive warranty and defects period only being recently completed, 	<ul style="list-style-type: none"> ▪ GWC's Asset Management System (September 2012) ▪ GWC Policy and Procedure Manual ▪ GWC's Asset Management Plan, September 2012 ▪ GWC's Risk Management Policy and Procedures ▪ GWC's Strategic Risk Assessment and Management Plan ▪ GWC's Business Risk Register ▪ GWC's Risk Register for Carnarvon Irrigation System ▪ GWC's Contingency Planning Policy and Procedures

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>risk management is not being fully applied to prioritise operational and maintenance tasks and a more reactive approach is being used.</p>	
<p>Contingency Planning – Overall Rating: C2</p>		
<ul style="list-style-type: none"> ▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	<ul style="list-style-type: none"> ▪ Section 10 of GWC’s AMS includes a Contingency Planning Policy and Contingency Planning Procedures. The procedures were last reviewed and updated in August 2014. ▪ The Contingency Planning Policy notes that the objective of the document is ‘To ensure contingency plans are developed to deal with the unexpected failure of an asset’. ▪ The Contingency Planning Procedures cover: <ul style="list-style-type: none"> – Bore field collector main failures – Southern Borefield total power failure – GWC HDPE mains failure – Spur lines failures – Individual Member Offtakes – Contamination of the Scheme – Compliance with Plumbing Standards – De-commissioning of redundant asbestos-cement pipeline – Inadequate design of the new HDPE Distribution Mains – Flooding of Carnarvon Horticultural Area – Increases in Ground water salinity – Delegated Responsibilities ▪ The Contingency Planning Procedures includes the file paths to associated documentation under each of the main headings. ▪ GWC has a separate cyclone procedure but does not have any other disaster/emergency management plans. ▪ Salinity can be an issue for GWC’s operating area. Some customers have their own bores and have a licenced allocation from the Department of Water in addition to being connected to GWC’s pipeline. The customer bores are generally located in the river and if the water sourced becomes more saline so that they cannot be used, it puts more pressure on GWC’s water allocation and infrastructure. ▪ GWC’s contingency plan only includes contingency related to assets and does not include any commercial issues, for example what happens if GWC cannot reach an agreement with Water Corporation for the southern water agreement. 	<ul style="list-style-type: none"> ▪ GWC’s Asset Management System (September 2012) ▪ GWC Policy and Procedure Manual ▪ GWC’s Asset Management Plan, September 2012 ▪ GWC’s Risk Management Policy and Procedures ▪ GWC’s Strategic Risk Assessment and Management Plan ▪ GWC’s Business Risk Register ▪ GWC’s Risk Register for Carnarvon Irrigation System ▪ GWC’s Contingency Planning Policy and Procedures

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>We recommend that when GWC updates its AMS, it takes into account contingency actions for non-asset risks.</p> <ul style="list-style-type: none"> We also note that the contingency plan only includes actions related to collector main failures from the northern borefield. We recommend that GWC also addresses the actions that may need to take place should a bore go out of production. Although flooding of the Carnarvon Horticultural Area is included in the procedures, no other 'disaster' type event is covered, e.g. bush fire affecting the northern borefield. We recommend that GWC develops further contingency procedures related to issues such as bushfire/access to the northern borefields. In addition, we would recommend that the Contingency Planning Procedures include details of key contacts, suppliers and external businesses/organisations who may be able to provide assistance in an emergency. The licensee's Contingency Plan has not been specifically tested via emergency incident scenario exercises or through any desktop exercises. This was a recommendation from the previous asset management system review in 2013 but, as with the other review recommendations, it has not been completed. 	
Financial Planning – Overall Rating: C2		
<ul style="list-style-type: none"> The financial plan states the financial objectives and strategies and actions to achieve the objectives The financial plan identifies the source of funds for capital expenditure and recurrent costs The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary 	<p>Financial Policies</p> <ul style="list-style-type: none"> Section 11 of GWC's AMS includes a Financial Planning Policy. The objective of the policy is 'To develop a financial plan that ensures the long term financial viability of GWC's service delivery now and into the long term'. Section 11 of GWC's AMS also includes a Maintenance Costing Policy and a Maintenance Costing Procedure. The objective of the Policy is 'To develop a means of budgeting and collecting all maintenance costs associated with Routine and Planned Maintenance activities'. The Maintenance Costing Procedure was last updated in April 2013 to include a new vehicle cost code. The procedure sets out the procedures for time sheet, along with a list of relevant cost codes, Stores Issue Dockets, Invoices from External Suppliers, and collecting labour and material costs. Although GWC own the pipeline, the levies for the asset are collected via GWAMCO's fixed charge. <p>Financial Plan</p> <ul style="list-style-type: none"> Section 11 of the AMS also includes the Financial Plan. As with the other elements of GWC's AMS, the Financial Plan was first developed in September 	<ul style="list-style-type: none"> GWC's Asset Management System (September 2012) GWC Policy and Procedure Manual GWC's Asset Management Plan, September 2012 GWC's Business Risk Register GWC's Financial Planning Policy GWC's Financial Plan GWC's Capital Expenditure Plan GWC's Strategic Plan 2012-2020 GWC's Business Plan 2012-2014 Gascoyne Water Cashflow Forecast 2011/12 to 2021/22 GWC's Operations and Maintenance Expenditure 2011-2016

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<p>2012 and due for review in September 2014 but has not been reviewed or updated.</p> <ul style="list-style-type: none"> ▪ The Financial Plan sets out: <ul style="list-style-type: none"> – Financial Objectives of the Co-operatives, including the funding for the new pipeline – Accounting/Financial Systems, including information on the accounting services used by GWC and the auditors it currently uses – Sources of Income for both GWC and GWAMCO – Major Expenditures – Operations and Maintenance Programme ▪ As with all the other elements included in GWC’s AMS, the Financial Plan provides the file paths to all of the relevant and associated documentation. ▪ With the exception of the annual budget, none of GWC’s AMS financial planning has been updated since 2012. The overall responsibility for financial planning lies with the General Manager. 	<ul style="list-style-type: none"> ▪ GWAMCO Asset Sinking Fund Calculator ▪ GWAMCO’s Capital Expenditure Plan 2013-2062 ▪ GWC and GWAMCO Profit & Loss and Cashflow Budget for 2014/15 ▪ GWC Defects Tracking Register (dated 14.07.2014) ▪ Maintenance Labour Budget vs Actual 2012 onwards spreadsheet ▪ GWC Annual Report 2012-2013 ▪ GWC Annual Report 2013-2014 ▪ GWC Rate & Charges Flyer 2015
	<p>Financial Forecasting</p>	
	<ul style="list-style-type: none"> ▪ GWC maintains a Long Term Capital Expenditure Plan for the replacement of the new irrigation pipeline and ancillary assets. This is based on a sinking fund to pay for the asset replacements. Meter and SCADA assets have been assigned 10 year asset lives, fittings a 25 year asset life and the HDPE pipeline a 75 year asset life. In order to fund the asset replacements, each customer is currently charged a fixed fee of \$1,900 per annum. ▪ GWC’s Cashflow Forecast covers the period 2011/12 - 2021/22. The forecast is based on GWAMCO taking over the southern borefield from Water Corporation in 2015/16 and the electrification of the northern borefield being completed in 2013/14. The electrification work was completed during 2014/15 and the work for the takeover of the southern borefield is continuing to progress. However, the forecast also includes different scenarios to assess the postponement of the borefield takeover as well as assumed best and worst case scenarios for GWC operations. Separate forecasts have been developed for GWAMCO as well as GWC. However, there has been no update of this financial information during the review period. ▪ GWC has a high-level Operations and Maintenance Expenditure budget forecast for the period 2011 to 2016. 	
	<p>Expenditure Tracking</p>	

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ GWC has maintained a Defects Tracking Register to keep a record of the costs that it incurred during the warranty and defects period for the new pipeline that it took over when the contractor went into liquidation. ▪ GWC maintains a spreadsheet that compares actual maintenance labour costs against budget. A separate worksheet is used to record this information for each six month period. GWC has maintained this financial assessment and the latest worksheet covers the period 1 January 2015 to 30 June 2015. The maintenance labour costs are reasonably close to the annual budgets and although there are some variances, some six month periods have shown actual costs exceeding budget while others show actuals being less than budgeted for. 	
Capital Expenditure Planning – Overall Rating: C2		
<ul style="list-style-type: none"> ▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates ▪ The plan provides reasons for capital expenditure and timing of expenditure ▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan ▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	<ul style="list-style-type: none"> ▪ Section 12 of GWC’s AMS covers the Capital Expenditure Plan. It includes: <ul style="list-style-type: none"> – Capital Investment Programme – GWAMCO Capital Budget – Asset Disposal Income ▪ Although GWC is the current asset owner of the new pipeline there is a long-term plan to transfer ownership to GWAMCO. However, at the time of the review, it was not known whether this is still an aim of the new Board. ▪ The decision for GWC to have ownership of the new pipeline was a financial decision. If GWAMCO had been the asset owner of the pipeline, the mutual cooperative would have incurred a tax bill in the order of \$4M on the federal funding it received to help pay for the pipeline and new assets. GWC and GWAMCO are currently looking at Harvey Water’s situation as it has a \$50M project that was completed under the operating entity and not the normal mutual cooperative asset owner. ▪ GWC’s Capital Expenditure Plan notes that: <p><i>‘GWC does not have an infrastructure capital investment programme. As an operator and service provider, GWC does not want to own infrastructure assets due to commercial risk of owning those assets and makes no provision in its budget for Capital Expenditure of this nature.</i></p> <p><i>GWC’s capital expenditure is limited to replacing current operations and maintenance assets, viz: vehicles, small plant, inventory and office equipment’.</i></p> ▪ As noted previously, GWC has a sinking fund for the replacement of the new pipeline and the ancillary assets. Based on the asset lives, each of GWC’s member customers pays a fixed amount into the sinking fund each year to cover the replacement of these assets. The fixed charge is currently \$1,900 per annum. 	<ul style="list-style-type: none"> ▪ GWC’s Asset Management System (September 2012) ▪ GWC Policy and Procedure Manual ▪ GWC’s Asset Management Plan, September 2012 ▪ GWC’s Business Risk Register ▪ GWC’s Financial Planning Policy ▪ GWC’s Financial Plan ▪ GWC’s Capital Expenditure Plan ▪ GWC’s Strategic Plan 2012-2020 ▪ GWC’s Business Plan 2012-2014 ▪ GWAMCO Asset Sinking Fund Calculator ▪ GWAMCO’s Capital Expenditure Plan 2013-2062 ▪ GWC Annual Report 2012-2013 ▪ GWC Annual Report 2013-2014

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ At the present time the sinking fund fixed annual charge only covers income related to the replacement of the pipeline and ancillary assets. There is currently no extra charge for the replacement of the northern borefield assets. Any expenditure that is needed for capital works at the northern borefield, e.g. a new bore or replacement of a bore pump, is currently taken from the sinking fund although it has not been developed to include the costs for these assets. ▪ GWC currently does not have a capital expenditure program outside of the sinking fund assessment/analysis. Essentially the sinking fund sets out the long-term asset replacement program. ▪ Therefore, the capital works are based on renewals of assets as they reach the end of their asset life. However, no new works for growth, levels of service or legislation have been identified in the current planning projections. ▪ However, we note that expansion of the borefield and development of 400 ha within the existing irrigation district is proposed but has not yet been included or allowed for in any of GWC/GWAMCO's capital expenditure planning work. We recommend that when the capital expenditure planning information is updated that it includes estimates of the Stage 2 development of the northern borefield, works that may be required to supply the proposed areas of development (e.g. new spur lines) and the assets included in the likely takeover of the southern borefield. ▪ Any expenditure on new assets (as opposed to renewals) that is identified will need to go through the GWC's business planning process. 	
<p>Review of Asset Management System – Overall Rating: C2</p>		
<ul style="list-style-type: none"> ▪ A review process is in place to ensure that the asset management plan and asset management system described therein are kept current ▪ Independent reviews (e.g., internal audit) are performed of the asset management system 	<ul style="list-style-type: none"> ▪ GWC has a policy to review its AMS documentation every two years. This is set out on the document control section on the front page of each of the key documents included in the AMS. ▪ However, as noted throughout this review, the majority of the documents have not been reviewed since they were first developed in September 2012. The AMS should have been reviewed and updated in September 2014 but for the most part this has not happened. ▪ GWC has an AMS Improvement and Action Plan but it has not been updated since June 2013. The Plan has due dates for the actions but does not record if the actions have been completed or the dates that they were completed. We recommend that GWC adds columns to its AMS Improvement and Action Plan to be able to record this information. ▪ Although GWC has completed some of the actions included in its Action Plan, it still needs to address its own Improvement Plan and the asset management system recommendations from the previous review that covered the period 1 May 2011 to 30 April 2013. 	<ul style="list-style-type: none"> ▪ GWC's Asset Management System (September 2012) ▪ GWC Policy and Procedure Manual ▪ GWC's Asset Management Plan, September 2012 ▪ GWC's AMS Review and Improvement Policy and Procedure ▪ GWC's Improvements and Action Plans Register. ▪ Quantum Assurance, Gascoyne Water Cooperative Limited, Operational Audit and Asset Management System Review, Report, July 2013

Asset Management Process / Effectiveness Criteria	Observation / Comments	Evidence
	<ul style="list-style-type: none"> ▪ We have made a number of recommendations throughout the overall Asset Management System Review related to updating the contents of the Asset Management System as much of the information is either out of date (e.g. references to previous legislation) or needs to be revised to provide forecasts out into the future. ▪ As noted previously, GWC has not completed any of the asset management system recommendations from the previous review. This has been due to the issues GWC has experienced with its General Managers. There have been four General Managers since the previous review and no one has been in the position long enough to make much impact on the asset management documentation and long-term expenditure forecasts. ▪ External review of the AMS is undertaken as part of Clause 20 of licensee's licence under the Act. The last review was undertaken for the two year period ending 30 April 2013. No other intermediary reviews have been undertaken between the previous review and this review which covers the period 1 May 2013 to 30 April 2015. ▪ The AMS is considered fit-for-purpose and suitable for the organisation. ▪ Based on our review, GWC has a very well defined and thought-out AMS template that is fit-for-purpose for the organisation and well aligned to the asset management processes and effectiveness criteria that the ERA. However, the entire AMS needs to be reviewed and updated together with the supporting expenditure data. 	<ul style="list-style-type: none"> ▪ GWC Updated Post-Audit and Post-Review Implementation Plan, May 2014

6 Recommendations

6.1 Performance Audit

Table 6-1 Table of Current Non Audit Compliances and Recommendations

A. Resolved during current audit period			
Manual Ref.	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Date Resolved (& management action taken)	Auditor's Comments
B. Unresolved at end of current Audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)	Auditor's recommendation	Management action taken by end of Audit Period

6.2 Asset Management System Review

Table 6-2 Table of Current Review Asset System Deficiencies/Recommendations

A. Resolved during current audit period			
Ref.	Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Date Resolved (& management action taken)	Auditor's Comments
B. Unresolved at end of current Audit period			
Reference (no./year)	Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Auditor's recommendation	Management action taken by end of Audit Period
R1/2015	B3 <i>Asset Operations - Assets are documented in an Asset</i>	Update the replacement cost in the new HDPE pipeline and the Northern Borefield Asset	

B. Unresolved at end of current Audit period

	<p><i>Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</i></p> <p>The replacement cost in the new HDPE pipeline and the Northern Borefield Asset Registers is based on an actual purchase price and needs to be replaced to reflect life cycle costing.</p>	<p>Registers to reflect life cycle costing (already recorded as an action item in GWC's AMS Improvements and Action Plan).</p> <p><i>This is a recommendation from the previous review that was not actioned.</i></p>
R2/2015	<p>B3</p> <p><i>Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i></p> <p>There is currently no process in place to formally test all of the contingency plans on a regular basis.</p>	<p>All contingency plans need to be regularly tested, such as by an annual desktop review of the plan by the key participants, and discussion of potential scenarios. Evidence of the test and any action to be taken needs to be maintained.</p> <p><i>This is a recommendation from the previous review that was not actioned.</i></p>
R3/2015	<p>B2</p> <p><i>Financial Planning - The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).</i></p> <p>The Gascoyne Water Cashflow Forecast 2011/12 – 2021/22 includes Operating Statements (P&L) until 2021/22. However, there are no projected Statements of Financial Position.</p>	<p>As part of the Financial Plan, develop projected Statements of Financial Position for at least the next 5 years in order to provide a better analysis of past performance and to assist future planning.</p> <p><i>This is a recommendation from the previous review that was not actioned.</i></p>
R4/2015	<p>B3</p> <p><i>Capital Expenditure Planning - There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.</i></p> <p>The Plan needs to be updated for asset renewal incorporating life cycle costing. This is already recorded as an action item in GWC's AMS Improvements and Action Plan.</p>	<p>Update the GWAMCO's Capital Expenditure Plan for asset renewal incorporating life cycle costing (already recorded as an action item in GWC's AMS Improvements and Action Plan).</p> <p><i>This is a recommendation from the previous review that was not actioned.</i></p>
R5/2015	<p>B3</p> <p><i>Review of AMS - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</i></p> <p>The review process could be improved by updating the AMS</p>	<p>Update the AMS Review section of the Asset Management Plan for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.</p> <p><i>This is a recommendation from the previous review that was not actioned.</i></p>

B. Unresolved at end of current Audit period

	Review section of the AMS for the requirement to notify the Authority of any (significant) changes to the asset management system within 10 business days.	
	<i>C2 Asset Creation - Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.</i>	
R6/2015	We observed that the Asset Creation and Acquisition Policy does not reference the interface between GWAMCO and GWC or the working arrangement between the two different cooperatives. The Asset Creation and Acquisition Procedure does not explicitly reference GWAMCO although it is implicitly referenced (e.g. 'Presented to and approved by the appropriate Board').	We recommend that GWC sets out the arrangements between GWC and GWAMCO in the appropriate policy and procedural documents in the AMS where GWAMCO involvement is required for particular activities.
	<i>C2 Environmental Analysis – Opportunities and threats in the system environment are assessed</i>	
R7/2015	GWC has an Environmental Analysis Policy and a separate Environmental Analysis Procedure in Section 5 of its AMS. The Policy states that its objective is 'Outcome compliance as per table 16 page 38 of ERA Audit Guidelines, Electricity, Gas and Water Licences for environmental analysis'.	We recommend that the Environmental Analysis Policy is updated to reflect the changes to the ERA's audit guidelines.
	<i>C2 Environmental Analysis - Opportunities and threats in the system environment are assessed</i>	
R8/2015	GWC has identified statutory and regulatory requirements in its Section 2.3 of the AMP. However, this makes reference to the Water Services Licensing Act 1995, which has been superseded by the Water Services Act 2012.	We recommend that the asset management plan be updated to reflect the new legislative framework.
	<i>C2 Asset Operations - Operational policies and procedures are documented and linked to service levels required.</i>	
R9/2015		Although the AMS includes a separate section related to Operations Management (Section 6), we recommend that additional sub-sections be added to the AMP to provide an overview and file

B. Unresolved at end of current Audit period

	The AMP provides very little information related to operating the scheme and optimising the assets	paths to the associated documents related to operating the assets to provide the optimal outcomes.
	<i>C2 Risk Management - Risks are documented in a risk register and treatment plans are actioned and monitored.</i>	
R10/2015	GWC's risk register derives an overall risk score and the controls to manage each identified risk. However, the register does not create an initial risk score and a residual risk score which identified whether the controls that have been established are adequate to manage the risk or identify whether the mitigated risk is at an acceptable level.	We recommend that GWC revises its register to take account of these matters.
	<i>C2 Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i>	
R11/2015	GWC's contingency plan only includes contingency related to assets and does not include any business continuity / commercial issues, for example what happens if GWC cannot reach an agreement with Water Corporation for the southern borefield supply.	We recommend that when GWC updates its AMS, it takes into account contingency actions for non-asset risks and includes these in its contingency plan.
	<i>C2 Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i>	
R12/2015	We also note that the contingency plan only includes actions related to collector main failures from the northern borefield.	We recommend that GWC also addresses the actions that may need to take place should a bore go out of production.
	<i>C2 Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i>	
R13/2015	Although flooding of the Carnarvon Horticultural Area is included in the procedures, no	We recommend that GWC develops further contingency procedures related to issues such as bushfire/access to the northern borefields.

B. Unresolved at end of current Audit period

other 'disaster' type event is covered, e.g. bush fire affecting the northern borefield.

C2

Contingency Planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.

R14/2015

GWC's Contingency Planning Procedures include details of key contacts, suppliers and external businesses/organisations who may be able to provide assistance in an emergency.

We recommend that the Contingency Planning Procedures are updated to include this information.

C2

Capital Expenditure Planning - There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.

R15/2015

The expansion of the borefield and development of 400 ha within the existing irrigation district is proposed but has not yet been included or allowed for in any of GWC/GWAMCO's capital expenditure planning work.

We recommend that when the capital expenditure planning information is updated that it includes estimates of the Stage 2 development of the northern borefield, works that may be required to supply the proposed areas of development (e.g. new spur lines) and the assets included in the likely takeover of the southern borefield.

C2

Review of Asset Management System - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.

R16/2015

GWC has an AMS Improvement and Action Plan but it has not been updated since June 2013. The Plan has due dates for the actions but does not record if the actions have been completed or the dates that they were completed.

We recommend that GWC adds columns to its AMS Improvement and Action Plan to be able to record this information.

C2

Review of Asset Management System - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.

R17/2015

The majority of GWC's AMS and supporting documentation, including financial forecasts, has not been updated since it was first developed in 2012.

We have made a number of recommendations throughout the overall Asset Management System Review related to updating the contents of the Asset Management System as much of the information is either out of date (e.g. references to previous legislation) or needs to be revised to provide forecasts out into the future.

The review and updating of the entire AMS is considered to be the

B. Unresolved at end of current Audit period

over-arching recommendation from this asset management system review.

C2

Review of Asset Management System - A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.

We have included the recommendations from the previous asset management system review at the top of this table.

R18/2015

GWC has not completed any of the asset management system recommendations from the previous review. This has been due to the issues GWC has experienced with its General Managers. There have been four General Managers since the previous review and no one has been in the position long enough to make much impact on the asset management documentation and long-term expenditure forecasts.

We recommend that GWC implements a schedule to ensure that an annual update of financial forecasts and asset registers is completed and that other documentation within the AMS is reviewed in accordance with the review date included in the respective document control sections.

7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at the Gascoyne Water Cooperative on 8 and 9 June 2015 and recorded in this report is an accurate presentation of our findings and opinions.



Justin Edwards
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28 July 2015

Gascoyne Water
Cooperative

APPENDIX A
RISK MANAGEMENT
FRAMEWORK



Types of Compliance Risk

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

Risk Assessment Rating Scales

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

Consequence Rating

The consequence rating scale is outlined below.

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

Likelihood Ratings

The likelihood rating scale is described below.

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

Inherent Risk Assessment Rating and Description

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

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

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

Adequacy Ratings for Existing Controls

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

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

Assessment of Audit Priority

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

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

Gascoyne Water
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APPENDIX B
ASSET
MANAGEMENT
PERFORMANCE
RATING
DEFINITIONS



Compliance Assessment Rating Scale

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

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

Asset Management Review Rating Scales

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

Asset Management Adequacy Ratings

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

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

Asset Management Performance Ratings

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